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NEWS SUMMARY

GENERAL

Iran oil strike spreads

The strike by oil workers in Iran protesting against the Shah's regime spread yesterday, cutting production in the country's oilfields to 3m barrels a day—half the normal rate.

In Tehran, residents stocked up on essential foods and cash reserves in an atmosphere of uneasy calm before the Sunday start of a potentially volatile six days of religious fervour and economic paralysis.

Iran's main political opposition leader was released from detention—a move seen in the city as an act of conciliation to the opposition before the key days in Moslem mourning. Page 4

Speakers change

The Chancellor and Employment Secretary will not speak in today's pay sanctions debate, having been replaced by Prices Secretary Mr. Roy Hattersley and Treasury Chief Secretary Mr. Joel Barnett. The change was interpreted in Westminster as a sign that the Government was preparing for defeat. Back and Page 12

Spaniards vote

Spain was well on the way last night to massively approving a new democratic constitution that will guarantee basic freedoms and bury four decades of authoritarian rule, according to early results in a national referendum. Page 2

England victory

England's cricketers took a big step towards retaining the Ashes when they won the first Test against Australia by seven wickets. The first England win in a Brisbane Test for 42 years came 25 minutes before tea, when David Gower drove Rodney Hogg for the winning runs.

Desai motion

Indian Premier Moraji Desai is expected to move a motion today seeking the imprisonment of Mrs Indira Gandhi for contempt of the lower house of Parliament, which found her guilty of breach of privilege.

Bread price rise

The price of a standard loaf is to go up by 1p from next Monday, Ranks Hovis McDougall announced. Associated British Foods is almost certain to announce a similar increase. Back Page

Middle East talks

Dr. Mustapha Khalil, Egyptian Premier, arrived in London for talks with Mr. James Callaghan.

Refugees arrive

The first 19 of 66 Vietnamese refugees coming to Britain from Manila arrived at Heathrow. They were picked up from their sinking ship by a British vessel and are being looked after by the Save The Children Fund and the Ockendon Venture.

Wigan winners

Dominic Wigan gave seven winners out of ten selections yesterday. His nap won at 4-1, his next best at 11-2 and his one-star selection at 5-2, giving a treble of more than 112-1. Prices of his other winners were 5-1, 4-1, 7-2 and 2-7. His selections won the first five races at Ayr. Today's racing Page 16

Briefly . . .

Thirty-three people were injured when two trams collided in Cologne.

Earth tremors shook Guatemala city, the Caucasus in the Soviet Union, Corum in Turkey.

Three men, overcome by fumes, died in an empty wine vat in Forli, Italy.

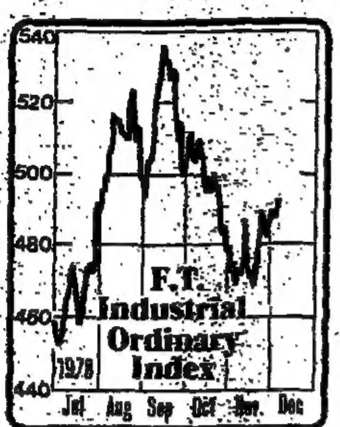
Traditional lighting up ceremony of Trafalgar Square's Norwegian Christmas tree is to take place on December 14.

Mont Blanc tunnel traffic was halted for three hours after an anonymous caller claimed five bombs had been planted there.

BUSINESS

Equities up 3.6; sterling steady

● EQUITIES were helped by selective buying of leading stocks while the new Harris



Queensway issue made a successful debut. The FT Ordinary Industrial Index was up 3.6 at 491.8.

● GILTS were steady with main interest in the medium tap. The index closed 0.03 down at 68.83.

● STERLING remained unchanged at $1.9515, its trade-weighted index also staying at 62.7. The dollar's trade-weighted average depreciation was unchanged at 8.3 per cent.

● GOLD lost $1¼ in London to $196¾, ahead of the IMF monthly auction at which 470,000 ounces were sold for an average $196.06. New York Comex closed at $197.70 ($195.20).

● WALL STREET closed 1.39 up at 821.90.

● UK EXTERNAL ACCOUNT surplus, taking current and capital movements together, improved sharply in the third quarter at £210m, compared with a £150m deficit in the previous quarter. Back Page

● RACAL ELECTRONICS has won a £20m contract to supply radio communication systems to a Middle East country against keen international competition. Back Page

● BAYER, the West German-based chemical group, is to buy Uniroyal's synthetic rubber plant at Bromsgrove, Worcestershire, for £2.3m. Page 6

● SEVEN BRITISH banking groups have signed separate agreements with the Bank of China for deposit facilities totalling over £640m which will be used to finance UK exports to China. Page 4

● BRITISH RAIL and union negotiators have agreed a productivity deal based on passenger and freight ton miles for the 177,000 employees. Page 12

● DEPARTMENT of Employment is studying pay rises of up to 23 per cent awarded to officials of the Transport and General Workers' Union. Page 12

● VAUXHALL MOTORS' pay deal for 26,000 manual workers, said to be as much as the 17 per cent Ford settlement which led to sanctions, was approved by the Government. Page 12

COMPANIES

● PILKINGTON BROTHERS' pre-tax profits rose from £29.6m to £43.4m for the half year to September 30, and second-half profits are expected to be similar. Page 28 and Lex

● HANSON TRUST regained some of its profit growth momentum after a static first half and finished the year to September 30 with a pre-tax figure of £26.1m, up £1.7m. Page 28 and Lex

● ARMITAGE SHANKS Group, makers of sanitary pottery and metal and plastic fittings, more than doubled pretax profits from £940,000 to £2.02m for the 26 weeks to September 30. Page 30

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Beecham "New"	66pm + 11
Berkeley Hambro	146 + 6
British Benzol	35¼ + 3
BH Prop.	690 + 30
Clarke Nickolls	68 + 3
Deutsche Bank	£114¼ + 5¼
Dundonian	55 + 5
HK and Shanghai	264 + 12
Johnson-Rchrds. Tiles	93½ + 3½
Lucas Inds.	307 + 8
MFI Furniture	177 + 6
News Intnl.	272 + 10
Pilkington	315 + 9
Racal Elect.	344 + 6
Saga Holidays	166 + 4
Stanley (A. G.)	172 + 8
Tarmac	158½ + 3
Trust Houses Forte	251 + 4
Tunnel B	296 + 4
Walker (J.)	120 + 8
BP	954 + 12
HK (Selangor) Rbbr.	235 + 20
Anglo Utd.	190 + 10
De Beers Dfd.	346 + 10
MIM Hldgs.	193 + 8
Northgate Expln.	460 + 45
Sungei Best	230 + 25
Westfield Minerals	395 + 35

FALLS

Allied Irish	197 − 5
Arlington Motor	115 − 3
Bank of Ireland	393 − 12
Coalite and Chemical	67 − 4
Hunting Assed. Inds.	300 − 10
Irish Distillers	188 − 6
NSS Newsagents	104 − 6
Norton (W. E.)	30 − 5
Pentland Inds.	23 − 2
Smurfit (Jefferson)	186 − 6

Continued exchange-rate stability sought for pound

Disappointment in Europe over final outcome on EMS

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Widespread disappointment was expressed throughout Europe yesterday that only six of the nine EEC Governments had so far been willing to link their currencies in the proposed European Monetary System. But there was evident relief in both London and Rome among the many opponents of UK and Italian participation.

This followed the end late on Tuesday night of the two-day summit of EEC Heads of Government in Brussels, at which the Italian and Irish Prime Ministers unexpectedly refused to commit their countries to joining the currency scheme.

Mr. James Callaghan told the Commons yesterday that the UK would not participate in the exchange-rate mechanism, but "intended to work for a continuation of the exchange-rate stability which sterling has enjoyed for nearly two years."

The Prime Minister described in detail how the UK would be involved in other aspects of the monetary system. In particular he referred to development of the European Currency Unit and of the European Monetary Fund, due to be set up in two years' time; and to UK participation in the enlarged EEC credit facilities.

The outcome of the Brussels meeting made little impact in foreign exchange markets yesterday, with light trading. There was some speculation about possible currency realignments before the start of the currency régime on January 1. But there was little change in rates. The dollar came under some pressure and received Central Bank support.

In Bonn Chancellor Helmut Schmidt told the Bundestag that he hoped all EEC members would join the system before long. The Summit result was widely seen as a political disappointment for him.

In Paris there was a similar reaction, coupled with concern over possible pressures against the French franc in the system.

In Rome the Government said it would decide later this week whether to join, after intensive talks with political parties. The decision to postpone a decision was well received by politicians and bankers.

In Dublin Mr. Jack Lynch, the Prime Minister, was regarded as having been out-manoeuvred in recent weeks. But there will be an intensive effort in the next two weeks to renegotiate terms.

There were few signs elsewhere in Europe of a willingness to concede as much assistance as Ireland wants, though Dutch Finance Ministry officials sug-

Continued on Back Page

Greece 'No'

Greece has firmly rejected EEC proposals for the terms of its accession to the Community, and asked the Council of Ministers to reconsider its offer on several key areas. Page 4

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●Economic Viewpoint Page 27 ● Lex Back Page ● Wincott lecture Page 6

Commons cheers for Callaghan

By Richard Evans, Lobby Editor

THE PRIME MINISTER was clearly well satisfied yesterday with the likely political impact of the Brussels summit on British public opinion, particularly inside the Labour Party. Mr. Callaghan's theme in the Commons continued to be that he wished the European Monetary System well, but that British membership on the terms available could have meant unnecessary deflation and increased unemployment.

Instead, he declared, the Government would continue to play a constructive role by joining in the development of the European Currency Unit and by keeping its option open on future membership of the EMS, possibly enlarged to include the dollar.

His lengthy Commons statement was greeted with cheers and obvious relief by anti-Marketeers on both sides of the House, but with despondency by Mrs. Margaret Thatcher. The Conservative leader regarded failure to agree on a major new initiative as "a sad day for Europe."

In political terms, Ministers were relieved at having avoided British involvement in the EMS without being pilloried for the disappointing outcome of the summit.

The result was seen by most Labour MPs as ample justification for the scepticism shown throughout by Mr. Callaghan and Mr. Denis Healey, Chancellor of the Exchequer, on key aspects of the Franco-German proposals, although a handful of committed pro-marketeers regretted the serious setback on the road to full economic and monetary union.

Mr. Callaghan received the greatest cheer from the Labour benches when he rejected Mrs. Thatcher's criticisms with a declaration that national interests had prevailed at the summit.

In the end, it would be the success of the country's own efforts in restraining inflation, keeping down prices, maintaining the stability of sterling and remaining competitive, that would ensure long-term prosperity, Mr. Callaghan said.

Mrs. Thatcher argued that it was a sad reflection on the performance of the Government since 1974 that the Prime Minister should have been content to have Britain openly classified among the poorest and least influential members of the Community.

Her attitude was in stark contrast to that of Mr. Enoch Powell, Ulster Unionist MP for South Down, who said the decision not to join the EMS would be welcomed with relief and satisfaction.

Accountants' merger move is expected shortly

BY MICHAEL LAFFERTY

AN ANNOUNCEMENT of merger between Whinney Murray and Turquands Barton Mayhew, two of Britain's largest firms of accountants, was believed imminent last night.

Such a merger would be unprecedented in Britain and internationally. It would place the combined firm among the top five UK accounting firms.

Whinney Murray and Turquands are well within the group of the 10 largest accounting firms.

But in addition Whinney Murray, with its U.S. partner Ernst and Ernst, is one of the Big Eight international accounting groups.

A reference to the Monopolies Commission cannot be ruled out, since such a merger would further concentrate the audits of UK companies among a handful of accounting firms.

The plan would have major implications on the international accounting front.

It would call into question Turquands' link with Klynveld Kraayenhof, the largest Dutch accounting firm, and with Deutsche Treuhand, one of the largest West German firms.

Equally in doubt would be Turquands' link with the U.S. accounting firm Hurdman and Cranston.

It is unlikely that there would be important changes in Whinney Murray-Ernst and Ernst connections, though these might be a new, shorter name for the combined group.

A merger of the firms has been the subject of speculation in the City for several months.

Turquands Barton Mayhew has been the centre of much Press attention recently, following its unsuccessful fight to remain as auditor of Sime Darby, the Far Eastern trading group.

As Turquands is particularly strong in the Far East, revelation of merger talks with Whinney Murray may cast new light on the firm's strategy in the Sime battle.

Turquands' future as a UK accounting major has been a subject of City discussion for some years.

Despite the firm's substantial size in the UK and its important European connections, it had not been regarded as a serious competitor for the Big Eight internationally.

Significantly, the original strategy behind Turquands' link with Klynveld Kraayenhof and Deutsche Treuhand was a desire to develop a European alternative to the Anglo-American giants.

The senior partner of Whinney Murray is Mr. Hugh Patterson, who had been expected to retire next year.

His successor in Whinney Murray was thought to have been Mr. Peter Godfrey, the firm's senior London audit partner.

Turquand's senior partner is Mr. Dennis Garratt. Both he and Mr. Patterson were said last night to be travelling in the Far East.

Bailey takes on Dubai dry docks

BY KATHLEEN BISHTAWI IN DUBAI AND IAN HARGREAVES IN LONDON

C. H. BAILEY, the British ship-repair company that fought off the threat of nationalisation two years ago, has won a contract to manage the world's biggest dry dock complex.

Sheikh Rashid Bin Said Al Maktoum, ruler of Dubai, announced yesterday that he had reached a preliminary agreement for an extended lease with Bailey and its subsidiary, Bristol Channel Shiprepairers, to run the 1.85m dwt complex.

Sheikh Rashid's three-year search for a manager for the £260m project has involved negotiations with some of the best known names in world shipbuilding and repairing, but talks have usually broken down. Candidates have said that they were being asked to take too big a financial risk.

No details were available yesterday about the terms of the Bailey contract, but the company said it would make a full statement this week to the London Stock Exchange.

For the foreseeable future, the three-dock complex will undoubtedly make heavy financial losses and Sheikh Rashid has apparently conceded in recent negotiations that the entire capital sum will have to be written off.

The announcement suggests that Bailey is to lease the facilities, presumably at a nominal rent, in order to bring into action what many see as the Arab world's biggest white elephant.

Sheikh Rashid decided to build the dock when Dubai was turned down by the Organisation of Arab Petroleum Exporting Countries in favour of nearby Bahrain as the site for a twin repair dock for very large crude carriers.

The first stage of that complex, the Arab Shipbuilding and Repair Yard, has been in operation for a year, charging cut-price rates and losing so far unspecified amounts of money.

£400m boost for micro-chip 'revolution'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT is prepared to spend £400m during the next three years on pushing British industry into what the Prime Minister described yesterday as the "unexplored territory" of the microelectronics revolution.

The money will be used for industrial aid schemes, making and using electronic chips, regional aid for new factories, and widely ranging communication, educational and training exercises.

An immediate £100m programme was announced by the Prime Minister when he took the chair at a meeting of the National Economic Development Council and received approval from senior industrialists and trade union leaders, as well as other organisations, for what he described as perhaps the "most rapid industrial change in history."

Mr. Callaghan, who is expected to discuss the subject with trade union officials in London next month, acknowledged that the advent of micro-electronics evoked a "mixture of fear and excitement" among people.

This was because there would be "some crucial job losses in a number of industries" as well as creation of new jobs and other social advances. "The concept of 'one job for life,' which is already going, will probably disappear," he declared.

The prospect did not provoke objections from TUC leaders at the meeting, although Mr. Len Murray, TUC general secretary, urged that sustained economic growth would be needed to provide the background against which workers would be prepared to accept changes.

The meeting was presented with papers from Government Departments and the Central Policy Review Staff. It accepted the view put forward that Britain had no option but to embrace new microelectronic technology if it wanted to be internationally competitive.

Increased

"If we can stop dithering and prevaricating, then we can catch up and improve our performance in world markets," Mr. Eric Varley, Industry Secretary, said later.

Industrialists at the meeting emphasised that no one should expect a net loss of jobs. Examples cited included the Civil Service and clearing banks, where the introduction of computers in recent years had increased rather than decreased employment.

The estimate of a total £400m Government expenditure came from Mr. Varley, who said that he would have "no trouble" in getting the money out of Mr. Denis Healey, Chancellor of the Exchequer. "I sat next to Denis at the meeting today and dug him in the ribs when I said this and he spoke up and agreed," Mr. Varley declared later.

Mr. Varley believed that France was injecting about the same sort of money into its microelectronics developments but that Germany was spending less.

About £300m is allocated to specific uses and the balance will depend on how much regional development aid is required, which in turn will depend partly on the willingness of foreign companies to invest in Britain in the manufacture and use of microelectronics products.

Much regional aid will be allocated soon to the GEC-Fairchild microelectronics project.

The £300m includes the £100m announced yesterday, of which £40m will be spent on expanding an industrial aid scheme to encourage the use of microelectronics, £35m on educational initiatives, and £25m on training and retraining.

A further £100m is already allocated to existing industrial schemes. The National Enterprise Board's £50m INMOS and other ventures are estimated to require a total of another £100m.

The Government is also to encourage the use of microelectronics in its Departments and elsewhere in the public sector. It wants to see public-sector experiments providing an example to the private sector.

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Details Page 30

NEB borrowing limits

A Bill raising the borrowing limits of the National Enterprise Board and its Welsh and Scottish counterparts from a total of £1.45bn to about £3bn is to be published this afternoon.

It will cause a political storm because of Conservative Party opposition to the board having a wide-ranging role. But Ministers believe that the support of Welsh and Scottish Nationalist MPs will secure Parliamentary approval for it.

£ in New York

	Dec. 6	Previous
Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

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THE EMS : What went wrong and what happens now

Hopeless communications breakdown at the Brussels summit

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Dec. 6.

LOOKING BACK on the failure of EEC leaders, after two days' hectic horse-trading, to agree on a European monetary system (EMS) acceptable to all, the *central puzzle is: what went wrong?*

No other European summit has been so meticulously prepared, preceded as it was by intensive technical studies and a flurry of bilateral consultations between the nine leaders. Yet when it came to the point of decision their communications broke down hopelessly.

The simplest answer is that the wealthier countries — West Germany, France, the Benelux and Denmark — failed to take seriously enough the demands by their less prosperous partners, particularly Italy and Ireland, for a genuine transfer of resources to make their entry into the full EMS possible. Over the past few months, the strengthening of weaker *economies* has not received as much attention in *debates between the Nine* as technical issues like the design of the EMS exchange rate mechanism.

Italy has long feared, too, that its case would become engulfed in a political storm over Britain's campaign for reforms of the EEC budget and farm policy. The summit's failure to tackle these issues will no doubt be *regarded in Britain as one of its* more serious shortcomings. But the concessions offered to Rome and Dublin were deeply disappointing. Their hopes of increased grants from the EEC Regional Fund came to naught, and they declined to be consoled by an offer of some £3.5bn of *subsidised Community loans* which would some day have to be repaid.

For once, the obstacle to an *increased transfer of EEC* resources was not German, but French. To the evident dismay of Herr Helmut Schmidt, the West German Chancellor, who genuinely has hoped that EMS would embrace the entire Community, President Giscard d'Estaing of France insisted that *he had no intention of straining* his national budget to pay for the entry of Italy and Ireland into the system.

The true motives for the French President's obstinacy remain unclear, but almost certainly they reflect more than the new-found fiscal conservatism of the programme of M. Raymond Barre, the French Premier.

Sceptics who have argued that EMS was never much more than *a ruse to re-admit France to the* currency "snake" undoubtedly will claim to be vindicated. But if Italy, Ireland and Britain stay out of the EMS, the French franc also risks being in the front line of future speculative attacks of just the kind which twice forced it out of the "snake" arrangement.

Part of the explanation may be that on questions of European policy, President Giscard *is politically much less secure* than he seems to be from the outside, and feared that he could not win the necessary domestic backing for a transfer of resources. His government was badly jolted a few days ago when the National Assembly rejected a Bill to finance the EEC budget out of national value added tax collections. The defeat amounted, in a sense, to a vote of no confidence in further European integration.

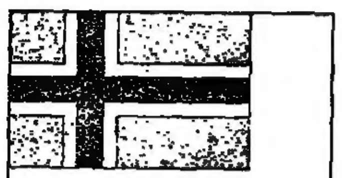
The same unholy alliance of Gaullists and Communists which engineered that upset is pressing the French President hard on other sensitive EEC issues. He has already deferred publicly to their opposition to any expansion of the powers of the future directly-elected *European Parliament.* More critically, he must contend *with steadily increasing* discontent and anxiety, especially in southern France, about the likely consequences of admitting Greece, Spain and Portugal to the Community. The appointment of "Three Wise Men" to assess the impact of enlargement, announced at the summit, was proposed by the President partly in an effort to deflect these pressures.

However they phrase their conclusions, the Wise Men will be hard put to *paint an optimistic picture of near-term economic prospects for a 12-member EEC.* The European Commission, in its *recent opinion* on Spain's application, was largely gloomy about the implications for Europe's poorer regions as well as for Mediterranean farmers and certain industrial sectors. *Portugal* will need special help (which there is little sign so *far of it* getting) for a number of years, if its desperate *economic problems* are not to grow still worse.

There has always been a danger that the next enlargement *could produce a two-tier* community, in which the *important* decisions affecting Europe would be made by a *few Governments.* Part of President Giscard's strategy *all along* has been to ensure that France had a seat *in the top-tier* even if—as he admitted privately just before last July's Bremen summit—the EMS tore the Community down the middle. If only six of the Nine join the EMS, and if the system endures, that risk will be all the greater.

Britain would doubtless welcome a looser community, especially if it led to the collapse of the CAP. But it would not be as ready to accept relegation to the *second* tier, where its voice would count for little. Nor would it relish the prospect of having to forgo a share of whatever resource transfers were available in [illegible] significantly less [illegible] countries, like the prospective Mediterranean members.

The two men who perhaps are now pondering most deeply the long-term consequences of this week's deliberations [illegible] Chancellor Schmidt and Mr. Roy Jenkins, President of the EEC Commissions. Mr. Jenkins [illegible] claim some credit for having encouraged Herr Schmidt to seize the political initiative by proposing the EMS scheme. [illegible] of the many *questions* [illegible] whether the partial failure of Herr Schmidt's plan will cause him to intensify his efforts or, *on the contrary, to relapse* into the indifference which has marked German policies towards the EEC during much of the past few years.



Norway

Snake link with EEC discussed in Oslo

By William Dullforce

OSLO, Dec. 6.

THE NORWEGIAN Cabinet will discuss Norway's relationship *with the European Monetary* System tomorrow. The refusal *of Italy and Ireland to join will* probably make it easier for Norway to participate, although there is opposition to the idea within the ruling Labour Party and the governing board of the Bank of Norway.

Leaders of the former People's Movement, which is against EC membership for Norway, also met today to discuss Norway's association with the EMS. The movement was a powerful factor *in the victory of the anti-*Common Market forces in the 1972 *referendum* which kept Norway out of the Community.

Norway is a member of the existing European currency snake and, if the EMS is limited to the addition of France to the present snake members, it will be difficult for government critics to argue that the extended currency scheme involves any fundamental change for Norway.

Last week Prime Minister Odvar Nordli stated after a meeting with his party's central committee that Norway had "a *positive interest*" *in the EMS* but would make up its mind *about participation after the* EEC heads of government meeting in Brussels.

Among the opponents of Norwegian association with the EMS are the Deputy Governor of the Bank of Norway and the chairman of the Labour Party Economic Committee, who would prefer to see the Norwegian krone linked with a trade-weighted basket of currencies, as the Swedes have done with their krona since their withdrawal from the snake in August, 1977.

Political opposition comes *from a minority in the Labour* Party parliamentary group, who *fear closer integration with the* EEC, and from former members of the anti-EEC People's Movement.

Lira postponement well received

BY PAUL BETTS

ROME, Dec. 6.

THE POSTPONEMENT of the decision on Italy's entry to the European Monetary System was generally favourably received in leading political and financial circles today. There were no immediate repercussions on the lira, which gained two points *against the dollar at the Milan* fixing.

Sig. Filippo Maria Pandolfi, the Treasury Minister, said in Parliament today the *minority* Christian Democrat Government would hold intensive consultations during the next few days with the political parties supporting it, and confirmed it would take a decision later this week on whether or not to opt into the system.

He indicated serious divergencies had emerged at the *European Council in Brussels* yesterday, not only over Italian demands for substantial transfer of resources from stronger *countries to weaker ones but also* over the exchange rate and credit *mechanisms of the new monetary* system.

One of the main differences involved Italian requests for increases in the Community's Regional Fund already agreed by the European Parliament. This, he claimed, had effectively prompted the Italian delegation led by Sig. Giulio Andreotti, the Prime Minister, to reserve its final decision on Italian entry until next week.

The outcome of the European Council was not altogether unexpected here. Although the Italian position towards monetary union *notably softened after the European* Finance Ministers meeting *in Brussels on November 18,* which agreed to give Italy a wider 6 per cent margin in the new system, Sig. Andreotti was coming under increasing pressure from the Left-wing parties and even some of his own Cabinet Ministers on the eve of the European Council.

The Socialist Party has repeatedly emphasised the risks of Italian membership without *Britain's* participation, while the Communists, on whose support the survival of the minority government *effectively* rests, were opposed to any "*prefabricated*" *system by* West Germany and France.

Following the differences between the various countries at the *Brussels summit,* Sig. Andreotti said on his return today that he had to consult the other parties on the issue. This *clearly indicates the* Prime Minister's anxieties over the tensions *growing* in Italy between the various political parties.

The Government is coming under *increasing criticism from* the Socialists and the Communists as well as from factions of its own ruling party. A whole series of controversial issues, in-

Italy

*cluding the Government's three-*year economic recovery pro*gramme, now is in danger of* undermining the present coalition formula and precipitate another government crisis.

The Communists, as indeed most of the other parties, welcomed today Sig. Andreotti's decision in Brussels describing it as "realistic." However, they criticised the Government for its apparently "muddled approach" to the EMS negotiations during the past months.

The decision was also favourably received by economic and financial circles, which in past months repeatedly underlined the problems the Italian economy would face by participating in a *scheme weighted against Italy.*

While there has been an *impressive improvement in* Italy's balance of payments, which has enabled the country to consider seriously entering into a more rigid European monetary discipline, this recovery is in large measure the fruit of restrictive policies that have limited growth to barely 2 per cent during the last two years.

The Bank of Italy released figures today showing a balance *of payments surplus for the 17th* consecutive month in October of L375bn. During the first ten months of this year, the payments surplus totalled L5,680bn compared with a surplus of L1,720bn in the same period last year.

However, Sig. Pandolfi reminded *Parliament today of the* urgent need to tackle the fundamental structural *weaknesses of* the Italian economy, including *the reduction of the* public sector borrowing requirement *for next year from L43,720bn to* L37,620bn.

He said the Government's medium term economic programme sought to lay the basis for stable growth in Italy, and repeated in this context the three preconditions for Italian membership of the EMS.

These included a flexible foreign exchange discipline, an adequate European Monetary Fund, and transfer of resources *to help weaker economies. In* Italy's case, this last point *concerns particularly the depressed* south of the country. Italy *insists on negotiating each of* these three key issues separately, *refusing to barter a favourable* exchange rate agreement against inadequate transfer of resources.

What the papers say in Europe

By Our Foreign Staff

EUROPEAN NEWSPAPERS yesterday expressed disappointment that the EMS looked like being launched with Britain, Ireland and Italy on the sidelines, although several said the Brussels summit was a success *of sorts.*

The conservative Frankfurter Allgemeine Zeitung said the creation of the EMS was a notable event, but "the success *is sullied by Britain's* indecisive-

"Prime Minister Callaghan wants to have the stand-by *credits* and other advantages but wants the British pound to remain free of any obligations. True to the British proverb, *he wants to have his cake* and eat it."

The Bonn daily *Die Welt* said: "The big gamble *has turned into a little one.* — Despite all the proclamations about the need to *strengthen* Europe, it has been shown once *again how quickly the readi*ness to make sacrifices *evaporates when it comes to* money."

The *conservative* French daily, Le Figaro, summed up *the result of the summit* as: "All's well that seems to end *badly.*" The *part-agreement* might be less attractive to the eye than a full accord, but it meant that the system stood more chance of lasting.

The Socialist daily, Le Matin dubbed the outcome of the summit: "A semi-failure." Le Monde said: "It is as if, at the start, Heads of State and Government had underestimated the domestic obstacles they would meet on the way."

The Communist L'Humanité led its edition with the headline "Under D-mark Law." The Brussels agreement reinforced the dominance of the West German currency in the EEC, it said. "Even before next June's European election, the mechanism of abandoning sovereignty is building up speed."

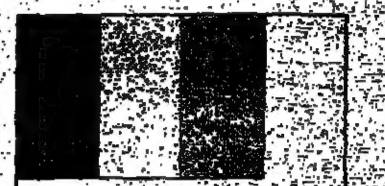
Banks fear renewed pressure on franc, criticise UK stand

BY GILES MERRITT

BRUSSELS, Dec. 6.

BELGIAN BANKERS and financial analysts were today openly *disappointed* by the EEC summit's failure to yield an EMS pact that would have encompassed at least eight members of the Community. Although the UK's participation had not been expected here, there is growing criticism in Belgian financial circles that Britain's negative stance was largely responsible for the Italian and Irish Governments' decisions to remain uncommitted.

The concern in Brussels centres on fears that the Belgian franc could once again be singled out as one of the most vulnerable currencies in the EMS and would come under renewed pressure. So far this year well over BFr100bn (£1.65bn) has been spent by the Belgian Government on defending the currency. The Belgian calculation is that the likely absence from the EMS *of the lira and the Irish pound* has removed the cushion that it was *hoped those weaker curren-*



Belgium

cies would have provided for the Belgian franc against further speculative attacks.

Criticism that the currency stabilisation pact is little more than a French re-entry into the snake has therefore been softened by the realisation that the French franc could next year provide an alternative target inside the system. M. Henri Simonet, Belgium's Foreign Minister, today welcomed France's membership of the EMS but went on to suggest that the present EMS agreement should be seen as the *first phase of measures that after* consultations with the U.S. could *lead to a new monetary order.*

Schmidt still hoping for eventual success

BY JONATHAN CARR

BONN, Dec. 6.

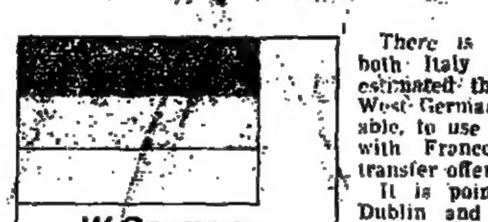
THE WEST GERMAN Government remains hopeful that all EEC countries will be members of the European Monetary System (EMS) before long. But it is clear that the partial setback in Brussels yesterday is a political disappointment to Chancellor Helmut Schmidt, who would have been ready to go still further to try to reach a compromise.

Reporting on the European Council meeting to the Bundestag today, Herr Schmidt said he had *understanding for the reser*vations about immediate EMS *membership expressed by Italy,* Ireland and Britain. The first two *would make known shortly* whether, after all, they would be ready to go into the system next month, and he had the feeling there were strong forces in England which could steer the country towards membership in the not too distant future.

Herr Schmidt underlined the concessions to which Bonn had agreed. They included the granting of an exceptional 6 per cent fluctuation margin which he was not convinced would help either the strength of the system or the currency of the country which chose to observe it. Beyond that, West Germany was ready to play its role in footing the bill to subsidise the interest rates on loans of 1bn ECU (DM 2.5bn) a year for five years for less prosperous countries in the Community.

He added that Bonn had been ready to make still greater financial sacrifices than this, not only on the interest rate subsidy scheme but also with respect to the Community regional fund. However, it did not receive sufficient support for this.

Government officials note that France refused to go along with a scheme to boost the regional



W.Germany

fund and direct its additional *resources to the less prosperous* regions. It is said that President Valery Giscard d'Estaing had visions of peasants in southern France receiving markedly less Community aid than those just over the border in Italy.

It is also stressed that there was no certainty that accord with Italy and Ireland could have been reached yesterday even if Bonn and Paris had been completely at one on the so-called "transfer of resources" issue.

There is the suspicion that both Italy and Ireland overestimated the extent to which West Germany was willing, and able, to use its known influence with France to increase the transfer offer.

It is pointed out that both Dublin and Rome knew from intensive bilateral talks what the bargaining position was with West Germany and France and both still seemed keenly interested in entering the system. Yet their final position at the council remained higher than the French, and probably even the Germans could have accepted.

It is not felt very likely that either Rome or Dublin—let alone Paris—will change the positions adopted yesterday in a matter of days. Although technically the French franc is somewhat exposed within an EMS of only six EEC members.

Finance Ministry tries to look on the bright side

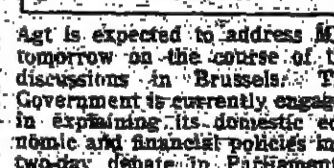
BY CHARLES BATCHELOR

AMSTERDAM, Dec. 6.

HOLLAND IS still guardedly optimistic that progress will be made towards setting up an EEC currency zone despite the inability to reach full agreement in Brussels. No official reaction has yet been made public to the two-day summit meeting which ended late last night but the Finance Ministry is clearly trying to look on the bright side.

"The EMS discussions did not produce all the good things that we hoped from them but there is still a 50-50 chance that Italy and Ireland will join the EMS," officials at the ministry said in an initial reaction. "Nor was the UK entirely negative in its attitude towards the scheme," they added.

Mr. Dries van Agt, the Prime Minister, was accompanied to the meeting by Dr. Amont Wellink, Treasurer General at the Finance Ministry. Mr. van



Holland

Agt is expected to address MPs tomorrow on the course of the discussions in Brussels. The Government is currently engaged in explaining its domestic economic and financial policies in a two-day debate in Parliament.

Bankers were also unwilling to write off the EMS's chances of success before Ireland and Italy have clarified their positions. The problems which had arisen for the weaker members of the EEC were not unforeseen, they noted.

President's words fool no one

BY ROBERT MAUTHNER

PARIS, Dec. 6.

AFTER ALL the advance rejoicing in France over the creation of a European monetary system (EMS), the French today reacted with undisguised disappointment at the outcome of the European Council's meeting *in Brussels.*

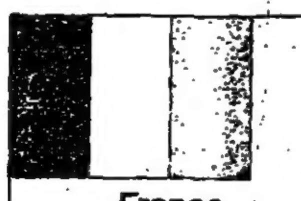
While the UK's decision to *stay on the sidelines of the new* system for the moment was generally expected, the failure of Italy and Ireland to make any final commitment came as something of a shock to French pub*lic opinion.*

The brave words of President Giscard d'Estaing, who said that the results of the meeting were "very close" to the objectives which he and Herr Helmut Schmidt, the West German Chancellor, *had set themselves,* have apparently fooled no one.

Nearly all French newspapers stress that, in the absence of three member countries, the EMS can hardly be described as a Community system. *Only* France has joined the old mem*bers of the European currency* "snake," and several commentators have underlined the dangers of being the weakest link in the system. With the British, Italian and Irish currencies inside the parity grid and currency basket, the pressures on the French franc would have been much smaller.

Nor do most commentators here attempt to deny that responsibility for the failure to reach a compromise lies with President Giscard d'Estaing's *intransigent attitude* towards demands by Italy and Ireland for a greater transfer of resources. It is emphasised in Paris, however, that President Giscard was hamstrung by *domestic political considerations* and that, at a time when the Gaullists *have stepped up their* opposition to his European policies, he *could not afford to upset* them any more than he had already done.

At stake was the controversial *issue in France of the European* Parliament's powers after it has been directly elected. Italian and Irish demands would have required an increase in EEC Regional Funds grants next year from 620m European Units of Account to more than 1bn eu. An amendment to this effect had already been passed by the



France

European Parliament in Strasbourg, but President Giscard considered that this ran counter to an earlier decision by the heads of government taken in 1977.

By *refusing to accept* the principle that the European Parliament could oblige the Council to change its mind, President Giscard evidently hopes to persuade the Gaullists that he is a firm opponent of any change in the present balance of power between hte various European *institutions.*

Lynch: an unwitting victim

BY STEWART DALBY

DUBLIN, Dec. 6.

THE AVAILABLE evidence in *a confused* Dublin today was that Ireland was an unwitting *victim of the crossfire between* President Giscard d'Estaing and Mr. *James Callaghan.* This apparently accounted for its failure to join the EMS.

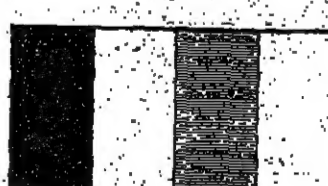
At issue was the scale and *method* of resource *transfers* which the three weaker econo*mies in the Community would* need to join the EMS. The French President, the Irish say, made a tougher-than-expected stand against the method which Britain wanted for resource transfers—that is reform of the Common Agricultural Policy (CAP) and a massive enlargement of the Regional Fund. It is also understood that he baulked *at the sums involved. Ireland* wanted £650m of the requested £3.5bn in grant form over a five-year period.

In the event, the French President's obdurate stance meant that Ireland was offered a third of what it had asked for *—only £45m a year for five* years, or a total of £225m in loans, *so soft that they almost* amounted to grants.

Despite the fact that Dr. Martin O'Donoghue, the Minister of Economic Planning and Development, today announced that £1bn in loans was also mentioned, the offer simply was not *enough for Mr. Jack Lynch,* the Prime Minister, to commit Ireland to immediate entry.

The £650m figure was considered a minimum entry price. *Ireland's* balance of payments are extremely vulnerable. This year the current account deficit is likely to be £300m. Although *capital* inflows will almost certainly cover this, reserves at £1.1bn up to October are not large enough to cover the sustained run on what would be an independent Irish pound if the *country joined the EMS.*

Normal loans are largely irrelevant since Ireland could easily borrow £1bn on commercial markets. *The problem* is affording to pay them back. The *country runs* an enormous public sector borrowing rate of 12 per *cent of its GNP of £6.5bn. The* aid would have had to be in grant form if it were to be a real balance of payments cushion and a permanent rather than a temporary transfer.



Ireland

Being a victim of President Giscard's stand has involved a great loss of face for Mr. Lynch. *He is not* in any immediate political trouble since his ruling *Fianna Fail Party* enjoys an overall 19-seat majority in the 148-seat Parliament.

It now seems clear that Mr. Lynch, usually a very cautious and politically acute Prime *Minister, misread* what one Opposition leader today called President Giscard's "non-negative approach." Mr. Lynch seems to have seen it *as one of positive* enthusiasm.

Spaniards vote in referendum on new democratic constitution

BY ROBERT GRAHAM

MADRID, Dec. 6.

SPANIARDS TODAY voted on a *referendum to endorse a new* democratic constitution. If approved, the 169-article constitution will end the constitutional vacuum that has existed since Franco's death three years ago. It will also mark the *formal end of the transition* period from dictatorship to democracy.

Early turnout at the polls provided no clear pattern of how many Spaniards will take the trouble to vote. The voting age *for the first time has been* lowered to 18 which has added 2.4m to the electoral register. A total of 26.5m Spaniards are eligible to vote. The referendum has been deliberately held on a weekday to encourage maximum turnout, and employees have been allowed time off to vote.

The constitution, which has taken more than a year to *elaborate, was approved by Par*liament on October 31. It was then endorsed by all the major political parties. The main objections came from Right-wing extremists in Alianza Popular and Basque nationalists.

The Basque nationalist party, PNV, has been urging voters to abstain *as a sign of protest* against the constitution's failure to give adequate recognition of the Basque country's historic rights. Meanwhile, the militant Basque separatist organisation ETA has stepped up its campaign *of violence to disrupt the con*stitution and canvass a strong negative vote.

The main political parties have focused much of their campaigning on the Basque country in an effort to drum up support for the Constitution. They fear that a strong negative vote, plus substantial abstentions, will tend to undermine further the prospects of achieving a peaceful and negotiated *settlement to the vexed issue of* Basque autonomy. Extra riot *police have been drafted into* the Basque country in anticipation of trouble. *Yesterday three* policemen were killed in San Sebastian in an action today claimed by ETA.

The Government has organised a massive publicity campaign to persuade people to vote. It has printed more than 15m copies of the Constitution, including an *edition in Braille, and others in* Spain's main regional languages. *The Government would be happy* if it could obtain an 80 per cent favourable vote. However, it will be a significant indication of the degree of politicisation of Spain to see what proportion of those eligible to vote do not show up at the boths. Among the youth in particular there appears to be *widespread indifference.*

NATO ministers unsure of U.S. commitment

BY REGINALD DALE

BRUSSELS, Dec. 6.

NATO DEFENCE Ministers *ended their two-day winter meeting here unsure as to how far the U.S. will meet Alliance commitments* to increase defence spending by 3 per cent in the coming budget year.

European Defence Ministers have expressed strong concern during the past two days here over the damaging consequences for the Alliance, and for their own plans to raise defence spending, if Washington fails to achieve the 3 per cent target.

Mr. Harold Brown, U.S. Defence Secretary, reaffirmed that his Government remained committee to "annual increases in defence budgets in real terms over the next few years with a *goal of 3 per cent.*" The commitment was endorsed at last May's NATO *summit* in Washington following a major American initiative to strengthen the Alliance's defences against the continuing Warsaw Pact military build-up.

Mr. Brown told his colleagues, however, that President Jimmy Carter had not yet decided on a final figure for the fiscal 1980 defence budget. He hinted at a *news conference that the figure* could vary from year to year provided the total came out allright in the end.

Mr. Carter would keep the NATO commitment in mind, Mr. Brown said. But he would also "recognise competing domestic requirements for funding and *the great importance of holding* down inflation by reducing the budget deficit."

NATO officials fear that other Governments will *find it difficult* to meet the commitment to strengthen the Alliance's forces if the U.S. fails to take the lead as it has profised.

Mr. Brown was equivocal when asked whether Washington was opposing the *possible British sale* of Harrier jump-jet aircraft to China. The U.S. had no objection to its allies selling defensive weapons to China, but sales of offensive weapons would have to be "very carefully considered and consulted upon," he said. He refused to be drawn on whether he considered the Harrier an offensive or a defensive weapon.

Britain has not yet made a final decision on the Harrier sale. But it has been *probing its allies* to see if a way can be found of approving the sale by procedural means rather than staging a full debate in Cocom, the Paris-based agency that vets Western sales to Communist countries.

Mr. Brown said the meeting had laid a good deal of ground*work for further discussions of* arms control negotiations with the Soviet Union and the modernisation of NATO nuclear forces in the European theatre. These issues will be of major concern to the European NATO members if the U.S. starts new strategic arms limitation talks (SALT 3) with the Soviet Union once SALT 2 is concluded.

West Germany, *in particular,* has been expressing serious concern here in the last two days at the growing Russian nuclear threat to Western Europe embodied in the SS-20 missile and the Backfire bomber. Herr Hans Apel, the West German Defence Minister, wants the European NATO countries to start urgent private discussions on the correct response to the threat, without giving the *impression that Bonn is taking* the initiative on sensitive matters of *nuclear policy.*

All the NATO countries except Belgium today formally signed documents giving the go-ahead to a new $1.8bn airborne early warning system (AWACS) designed to reduce the danger of a surprise attack by the Warsaw Pact. Belgium, which currently has a caretaker Government, reserved its position on constitutional grounds but said it would join later.

The system, which is to start operating in 1982, will employ 16 to 18 American Boeing E-3A *aircraft, complementing* 11 British Nimrods. NATO officials say that *the scheme—the Alliance's* largest ever co-operative project —will "absolutely preclude the possibility for no-warning attacks."

In a communique issued at the end of their meeting, the Defence Ministers reiterated their concern at *the growing* military capabilities of the Warsaw Pact, "in which emphasis continues to be placed on maintaining and improving a force posture which would permit offensive operations with little *military* preparation at a time and place of its own choosing."

They noted that "*Soviet* forces already exceed those required for defensive purposes and that their enhanced global military capabilities are the re*sult of increased force levels and* the introduction of highly sophisticated weapon systems of improved quality."

The Alliance's Foreign Ministers begin their regular two-day December meeting of the NATO Council here tomorrow.

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AMERICAN NEWS

Kahn forecasts 7% price rise if pay guide observed

BY OUR OWN CORRESPONDENT

WASHINGTON, Dec. 6.

MR. ALFRED KAHN, President Carter's anti-inflation adviser, continued his long haul of trying to sell the Administration's voluntary programme to counter inflation, by today predicting to the joint Congressional Economic Committee that price rises would fall from the current rate of about 10 per cent to six or seven next year, if the pay and price guidelines are followed.

It was, he told the Congressmen, "the only genuine hope of licking this disease without plunging ourselves into a recession or strait-jacketing ourselves into comprehensive mandatory wage and price controls."

The Administration's proselytising for its programme today bore fruit in the news that some 1,170 officials from 800 cities had pledged to support the guidelines in regard to the workers they employ and the services they buy. Mr. Kahn called the pledges "a source of enormous satisfaction" to the Administration.

Under the guidelines, wage increases are to be kept to 7 per cent a year and price rises to half a per cent below the average increase in the last two years.

Mr. Khan gave a strong push to the only element of the anti-inflation package that requires Congressional approval: the so-called "real wage insurance" scheme. Congress will be asked to approve this, when it reconvenes in January. As a means of encouraging groups of workers and unions to comply with the 7 per cent wage standard, it would provide an income tax rebate, equal to the amount by which the actual 1979 rate of inflation exceeds 7 per cent.

Mr. Kahn admitted the proposal posed "fiscal risks." But that it should be possible to "keep these to modest levels." The Administration view is that some limit will have to be placed on the size of the tax rebate, lest external factors, like a big OPEC oil price rise, push U.S. inflation to even higher levels next year.

Mr. Kahn entered the oil price debate by saying that the only long-term solution was for them to rise.

But he told Congress's Economic Committee that his Council on Wage and Price Stability was studying energy costs, "an area of inflation that is most perplexing and most extraordinarily difficult."

Mr. Kahn also said his council was studying the petrol shortage in some areas in the past week, hinting that prices might have to go up. The Government might even have to consider rationing unleaded fuel, which is in shortest supply.

Mr. Carter has the option from next May to lift controls on U.S. oil and oil products. Mr. Kahn pointed to an easing of controls, with some measures to ensure the benefits do not just go to the oil companies as higher profits.

Pay code will be changed

BY STEWART FLEMING

NEW YORK, Dec. 6.

THE CARTER ADMINISTRATION next week will announce some changes to, and clarifications in, its wage and price guidelines, Mr. Barry Bosworth, director of the President's Council on Wage and Prices stability, said today.

But Mr. Bosworth claimed the adjustments will not alter the outlines of the White House's voluntary programme, which calls for average annual wage increases to be held to 7 per cent and price rises to be kept to at least half a percentage point below 1976-77 average increases.

He identified the areas for likely changes as fringe benefits, pay plans for non-union workers, and the conditions under which companies will be able to opt for profit-margin controls rather than price controls. The Administration fears that too many companies will choose profit-margin controls, which would weaken the programme.

Despite Mr. Bosworth's protestations, there is growing scepticism about claims that the changes may not substantially weaken the policy's impact.

Administration officials clearly aim to present any changes as largely technical, but it is suspected that, if President Carter accepts some of the proposals, the alterations will significantly raise the 7 per cent ceiling on wage increases.

Language quarrel threat to Trudeau

By Victor Mackie

OTTAWA, Dec. 6.

A QUARREL threatens to break out between Mr. Pierre Trudeau, the Prime Minister, and the Government-appointed task force on Canadian unity, over its report to be submitted to the Cabinet next March.

The Prime Minister, whose popularity is falling steadily, according to public opinion polls, faces a direct threat to his bi-lingualism policy, the main plank on which he has campaigned in three elections.

The task force has been studying the pressures threatening to destroy confederation. Leaked information published by the Canadian Press news agency is stirring up a storm, because it said the task force will come down hard on bi-lingualism policies and will describe them as the cause of hostility between French and English-speaking Canadians.

The Prime Minister reacted angrily when the question of the leak was raised in the Commons yesterday and again today. He branded it as "rumours and speculation." He pointed out that Parliament had approved bi-lingualism policies with the support of all parties.

Trudeau dared the Opposition to fight him on bi-lingualism in the coming 1979 election, saying he was ready to go to the country on that issue.

The latest Gallup poll, issued yesterday, showed a steadily growing gap between the Conservatives and the Liberals. The Tories are now ahead, with 48 per cent, to the Liberals' 35 per cent. The New Democratic Party had 18 per cent.

● Canada had a seasonally adjusted current account deficit of C$1.34bn in the third quarter, a record quarterly shortfall, AP-DJ reports from Ottawa. According to statistics Canada the second-quarter deficit has been revised downwards to C$1.16bn from the previously reported C$1.36bn.

Car sales figures puzzle analysts

BY JOHN WYLES

NEW, YORK, Dec. 6.

GENERAL MOTORS (GM), the giant U.S. motor manufacturer, increased its sales and share of the U.S. car market for the third consecutive month in November, while both its main rivals, Ford Motor Company and Chrysler Corporation, recorded their third successive sales decline.

With only two selling months of the new model year to go by, it is too soon to declare a definite trend. But analysts are puzzled by the declines at Ford and particularly Chrysler, which has launched a re-designed range of large cars. If this pattern continues into next year, there may well be a significant change in market shares for the 1979 model year, since GM's sales look likely to be further strengthened in the spring when it unveils two front-wheel-drive small cars.

After an 8.7 per cent gain in October, the company's sales rose by 13 per cent from last November, to give it an aggregate gain for the two months of 10.2 per cent. GM's progress undoubtedly helped November sales of domestically produced cars to a 3.2 per cent gain from the same month last year. This is marginally less than some analysts had projected, and converts into a seasonally adjusted annual selling rate of 10.87m vehicles, which would suggest a year-end total of about 9.3m cars.

Ford's sales, which fell by 9.4 per cent in October, slipped by 6.7 per cent last month, leaving total sales 8.1 per cent behind the first two months of the 1978 model year. There is a suspicion that several factors are hitting the company's sales, including a restraint on sales of large V8-engined cars, to meet fuel economy requirements, and continued difficulties in reaching targets set for its controversial Pinto small car.

Financially troubled Chrysler slipped by 8.1 per cent last month, after a 5.5 per cent decline in October. The company's 10.4 per cent market share was the lowest for several years, and is bound to cause concern.

But American Motors (AMC) the smallest Detroit company, has bigger problems. Although Jeep sales continue to show good gains, its passenger car sales were down by 17.3 per cent last month, leaving it with a miniscule 1.7 per cent market share.

Mexico considering law to allow offshore banks

BY WILLIAM CHISLETT

MEXICO CITY, Dec. 6.

A DRAFT law being studied by the Mexican Parliament could turn the country into an "offshore" banking centre. The law paves the way for the lifting of some of the restrictions imposed on foreign banks in Mexico.

Under the law, foreign banks whose function in Mexico at present is confined to establishing representative offices, would be allowed to create branch offices with the right to take deposits and make loans to non-residents in Mexico and to people living outside the country.

The Government considers that the Mexican banking system is nowhere near ready to take competition from foreign banks and so operations would still be restricted.

When details were made known about the proposed law recently, share prices of several private Mexican banks dropped substantially, reflecting the nervousness of the system faced with the idea of competition. The banks have since regained confidence as it became clear that foreign banks would not be competing on their ground.

The advantage for Mexican banks under such a system is that, with the creation of foreign branches here, more foreign business could be booked in Mexico without having to go via the branches of Mexican banks abroad.

The Government is conscious of the export potential of the country's oil and of the need for equally large amounts of imports, particularly capital goods. With Mexico entering increasingly into the international commercial market, the Government feels that the time has come to make the country's banking more international.

Some observers have pointed out that unless the incentives here were comparable to those in other offshore centres like Panama, there would be little point in foreign banks starting branch offices.

The Bank of Mexico believes the proposed law is the first step towards opening up the banking system without damaging it.

George Ball called in to advise on Iran

By Our Own Correspondent

WASHINGTON, Dec. 6.

THE ADMINISTRATION has turned to a former senior State Department official under Presidents Kennedy and Johnson to help with contingency planning for the Gulf, amid signs that Iran is having to cut back or postpone planned purchases of U.S. arms.

Mr. George Ball, now an investment banker in New York, is temporarily helping Mr. Carter's National Security Council assess the implications for U.S. policy of the radically changed situation in Iran. His temporary assignment, relatively unimportant in itself, is a further sign of the concern and confusion

White House officials had earlier had to call in Mr. Richard Helms, a former Nixon-appointed U.S. Ambassador to Tehran, to brief them, after the Central Intelligence Agency had failed to give advance warning of the outburst of opposition to the Shah.

THE U.S. INTELLIGENCE NETWORK

Spare the cloak, sheath the dagger

BY DAVID BUCHAN

PRESIDENT JIMMY CARTER is the U.S. intelligence agencies' prime customer — and he is unhappy with the service he has been getting. Last week he made his complaint public: over the past 15 years the U.S. has come to rely too much on gadgetry, satellites, electronic eavesdropping on the secret messages of other nations, "sometimes to the detriment of the assessment of the intelligence derived, and also the intelligence derived through normal political channels," he told a news conference.

He seems to have been provoked by the lack of any advance warning of the riots against the Shah of Iran, Mr. Carter's valued ally, and of the Rhodesian military strikes into Zambia at the awkward moment in October when Mr. Cyrus Vance was holding talks in Washington with Mr. Ian Smith, the Rhodesian Premier. So Mr. Carter has now ordered the State Department, the National Security Council, and the Central Intelligence Agency (CIA) to do their political homework better.

The CIA is directly in the President's sights. Last January Mr. Carter added to the agency's overall responsibility for the writing up of intelligence estimates, the job of assigning intelligence tasks among the various branches of the intelligence community. The next session of Congress will consider putting that reform into legislative form.

Day-to-day electronic intelligence gathering has been left to the Defence Department, under whose broad umbrella come the National Reconnaissance Office (satellites) and the National Security Agency (communications and code intercepting). That is how the Pentagon wants to keep it. Satellite photography is vital to the verification of strategic arms agreements (SALT) with the Russians. Mr. Carter has said so himself. High-flying reconnaissance aircraft, for instance, help the U.S. to keep track of weapons the Russians might be putting into Cuba.

Yet the President evidently feels that, SALT, Cuba, and a few other special instances apart, there is a limit to the usefulness of remotely collected intelligence. Photographs of Russian forces, or sometimes interceptions of the usually uncrackable Warsaw Pact codes, will tell something of Russian military capabilities, but little of Russian intentions.

Adm. Stansfield Turner, director of the CIA.

It is a more telling criticism that, given the Defence Department's security preoccupation with the Communist bloc, the U.S. intelligence community has in general devoted too few of its resources to other, less politically predictable parts of the world, such as Iran or Southern Africa.

The CIA's clandestine service, in any case, is not what it was, partly because no alternative employment has been found for the large number of undercover agents made redundant by the Communist takeover in Indo-china—a point that Admiral Stansfield Turner, the CIA director, made brutally obvious in last year's "Halloween massacre," when he gave 820 of them their notices.

The Admiral is a Naval Academy classmate of the President's. He was appointed with the brief of bringing the agency's cloak and dagger operations under tighter control. Publicly, he has eschewed the use of the dagger—ruling out the assassination of foreign leaders as "repugnant to our national standards," though his predecessors tried hard enough with Fidel Castro—and called for more sparing use of the cloak. "We must not, by spying, try to obtain information that can be found and made available through open sources," he said recently.

The CIA clearly intends to stay in the espionage business. And Admiral Turner, not surprisingly, feels that public mistrust of his agency and closer supervision by Congress have damaged the CIA's ability to operate effectively. "Allied intelligence services are nervous about whether we can keep secrets," he recently told a Washington Press group, sounding very like Mr. George Smiley, John Le Carre's fictional British spy chief after the discovery of a too Russian agent, or "mole," in Whitehall.

Not only did the Admiral suspect other NATO spy services of refusing to pass on certain information to the CIA's Langley headquarters, but he also cited a proposed joint covert operation with another country, which fell through when the CIA reminded its counterpart that eight Congressional committees would have to be informed beforehand. (The CIA is required to give advance notice of all covert actions to the two committees, one in each House of Congress, on appropriations, foreign relations, intelligence, and armed services.)

Inevitably, this irritates the CIA. When Mr. Richard Helms, a former CIA director, was given a two-year suspended sentence last year and fined $2,000, after pleading no contest to a charge of wilfully misleading a Senate committee on CIA activities in Chile, he was cheered at a reception by former agency employees. They even chipped in to pay the fine.

The spate of newspaper reports a couple of years ago naming CIA agents in foreign posts—which the CIA feared would endanger their lives—has subsided. But a run of books on CIA activities by former agents has been fought bitterly by the Langley hierarchy.

The latest concerns the agency's role in the final days in Vietnam by Mr. Frank Snepp, who was taken to court by his former employer for alleged breach of contract in not first submitting it to the agency for approval. Mr. Snepp lost the first round this summer when a court ordered him to hand proceeds from the sale of his book to the CIA and bans him from publishing anything more. Mr. Snepp has appealed.

The recent CIA firings without parallel since Mr. James Schlesinger carried out a similar hatchet job when he took over the agency in 1973 only increase the chances of more disaffected ex-employees surfacing in print.

To help him run a tighter ship, Mr. Turner has moved a number of his navy associates into top jobs. This, coupled with the previous abolition of the board of estimates, which included outside academic specialists, is thought by some to have diminished the scope, and perhaps the independence of the agency's intelligence analysis, without giving much improved security.

Indeed, the CIA has been under fire for allowing a major security leak to go undetected for eight months. It concerned the sale to the Russians of a U.S. spy satellite manual by a former CIA employee, Mr. William Kampiles, who was convicted of espionage last month.

It was part of Mr. Kampiles' defence that a high-level Russian agent in the CIA was responsible for the disappearance of the handbook (13 copies in fact), which describes in detail how the KH-11 satellite is used to photograph Russian nuclear installations.

U.S. COMPANY NEWS

International Harvester cuts costs: Computer companies in price battle: new date for Resorts International meeting. Page 33

OVERSEAS NEWS

Mulder faces resignation chorus

By Quentin Peel

CAPE TOWN, Dec. 6.

INVESTIGATORS FROM the *judicial commission inquiring* into the massive misuse of state funds in the former South African Department of Information are to travel overseas in an attempt to track down the destination of money earmarked for clandestine Government propaganda.

This was announced today as Dr. Connie Mulder, the former Information Minister and once the second most powerful man in the ruling National Party, faced well-nigh irresistible demands for his final resignation from Parliament.

The *parliamentary caucus* of the National Party was locked in a lengthy meeting to decide its strategy following yesterday's official confirmation of malpractices and maladministration in the Department. The likely result is that the 130-odd members of the caucus will decide to close ranks and force Dr. Mulder to quit.

The revelations of the so-called Erasmus Commission, that a total of R34m (£37.6m) was *devoted to secret projects of the* Information Department resulting in inestimable losses by the state, are to be debated at a special parliamentary session tomorrow. Several key National Party newspapers today urged Dr. Mulder to resign.

Reuter reports from the UN: Six more adherents of the South West Africa People's Organisation (SWAPO) *were arrested at* dawn today in the township of Katatura, near Windhoek, according to information received in New York from Lutheran Church officials in Namibia.

Modest OPEC price rise likely

By James Buchan

JEDDAH, Dec. 6.

THERE ARE *strong indications* here that the Organisation of Petroleum Exporting Countries, OPEC, *will be persuaded to agree* to a series of modest increases in oil prices for 1979 when OPEC *ministers meet in Abu Dhabi on* December 16.

The Jeddah newspaper, Saudi Gazette, reported on Wednesday that an OPEC majority now favoured an oil-price rise for 1979 in "small but not necessarily equal doses." This is understood *to follow a closing in the positions* of Saudi Arabia and Kuwait during the five-day visit of a *Kuwaiti Government delegation* to Riyadh.

Kuwait had supported an increase of at least 10 per cent to compensate OPEC members for losses in revenue caused by inflation and the fall in the value of the dollar since the last full OPEC *price increase nearly two* years ago. The Saudi Oil Minister, Sheikh Ahmed Zaki Yamani, was reported as saying last month that his country continued to prefer a freeze in prices.

At the Riyadh talks, Crown Price Fahd and the Kuwaiti Prime Minister, Sheikh Saad Al-Abdullah Al-Sabah — together with the two Oil Ministers—are understood to have agreed on the compromise of staggered increases.

Iran opposition leaders freed on eve of holiday

BY ANDREW WHITLEY

TEHRAN, Dec. 6.

THE LEADER of Iran's main political opposition, the National Front, Dr. Karim Sanjabi, has been released from detention *after being held for nearly four* weeks. No reason was given for his release, which is seen here as an act of *conciliation to the* moderate opposition in view of a testing weekend ahead.

Released with Dr. Sanjabi, a 74-year-old veteran politician from the era of Dr. Mossadeq in the early 1950s, was another leader of the Front, Mr. Darius *Forouhar. They were arrested on* November 11 shortly after Dr. Sanjabi's return from a meeting *in Paris with the exiled religious* leader, Ayatollah Khomeini.

Dr. Sanjabi has been often tipped in recent weeks as the country's next civilian Prime *Minister, if an accommodation* with the Shah can be worked out. During his talks in Paris it is *known that the court sent a plane* to bring him back as Prime Minister, but he refused the offer at that time. *Since then indirect* discussions between the regime and opposition moderates on the setting up of a neutral civilian government have continued.

The news *of* Dr. Sanjabi's release came after the Shah had announced the pardoning of 120 political prisoners, bringing to about 1,700 the number freed since his 59th birthday six weeks ago.

[Dr. Sanjabi said in a *telephone interview after his release* that he was not willing to take part in a government of national union "*in the existing conditions* in Iran." Interviewed by a French radio station, he added that no such post had been offered to him, AP reports from Paris.]

From tonight the country will be shutting down normal activity for almost a week, leaving the field to the army and the combined forces of religion and the anti-Shah opposition. A big push against the survival of the monarchy is expected.

A *five-day holiday reaches its* climax on Monday, marking Ashura, the blackest day in the *Shia Moslem calendar, and the* Government will be relieved to escape with only light casualties during the inevitable clashes.

The atmosphere of deepening crisis has speeded up the exodus of foreigners from Iran. Westinghouse, the U.S. corporation which has widespread interests in Iran, is reported to be flying several hundred employees and dependants out on a charter flight on Friday. There was no comment from the company today.

Most Western embassies in Tehran have told their nationals *to stay indoors on Saturday* and Sunday, and some have been advising those who can to take *a holiday abroad. Gen. Gholam* Reza Azhari, the Prime Minister, said yesterday that the safety *of foreigners was assured, but* diplomats have questioned how this can be guaranteed in practice.

Iran's crude oil production fell back today to under 3m barrels compared with last week's peak of 5.9m barrels as the revival of full strike action continued to bite. The strikers are reported to have promised however, that *domestic needs will be met.*

In dealing with its public sector strikers, the Government is taking a noticeably *soft line,* both for the oil industry and for other key sectors such as power. Gen. Azhari told the Senate today that small groups were preventing others from working, but he was hopeful that the electricity workers would return to work soon.

OECD chief attacks West on aid

BY DAVID WHITE

PARIS, Dec. 6.

"NEGATIVE and defensive policies" by Western governments *were attacked here today* at the start of a high-level symposium on development aid attended by over 20 countries.

Mr. Emile van Lennep, secretary-general of the Organisation for Economic Co-operation and Development (OECD), pleaded *for a coherent approach to the* mutual interests of North and South.

"*We cannot, for instance,* welcome the fact that developing countries represent expanding markets for the products of our countries and at the same time brand them as a threat for employment in our countries, as far as their exports of manufactured *products* are concerned," he told a joint meeting of the OECD and Parliamentarians from the Council of Europe *Assembly.*

Short-term action to prop up the weaker parts of industrialised economies, he warned, "will only make it much more *difficult* for us to achieve the sustained non-inflationary growth we are seeking."

On several key issues, rich and poor countries needed to seek common solutions — developing new energy sources, stabilising commodity markets, and avoid*ing food-supply shortages. Higher* investment in the developing world was also in the interests of *industrialised countries' global* strategies, he said.

Progress in development co-operation was insufficient and aid flows disappointing—particu*larly on the part of some of the* larger *donors.* Advances had been made in finding new approaches, such as the so-called "basic human needs" concept. But agreement with developing countries on this approach had proved difficult.

The developing countries' retort was forcefully put by Mr. Iqbal Akhund, Pakistani Ambassador to Paris. Poor *countries could* not be expected to put their own houses in order simply by tackling basic needs and without changing a world system where the rich were bound to get richer and the poor, at least relatively, poorer. He also rejected the assumption that basic needs could be met without rapid industrial development.

Japanese party row delays vote

BY OUR OWN CORRESPONDENT

TOKYO, Dec. 6.

FACTIONAL squabbling inside *Japan's ruling Liberal Demo*cratic Party has caused a delay in the election of Mr. Masayoshi Ohira as Japan's new Prime Minister. Mr. Ohira's appointment was supposed to have been formalised this afternoon at a special meeting of the Diet, *after which the membership of* the new Cabinet was to be announced.

The Diet session was postponed repeatedly and finally put off until tomorrow owing to a boycott decision by the intra-party group supporting the outgoing *Prime Minister,* Mr Takeo Fukuda. The Fukuda faction members refused to attend the Diet session on the grounds that Mr. Ohira's proposal to nominate a member of his own personal following as Party secretary general violates an unwritten *Party* rule *according* to which the secretary general should be a member of a party faction other than that of the Prime Minister.

In the background, resentment also appears to exist within the *Fukuda* faction at allegedly unfair electioneering methods used by Mr. Ohira's supporters in the recent primary election for party leadership.

Trouble began early this morning when outgoing Prime Minister Fukuda summoned a final meeting of his Cabinet and asked Ministers to resign in prepara*tion for Mr. Ohira's election later* in the day. All but one of the Ministers resigned as requested. But the Minister of Agriculture, Mr. Ichiro Nakagawa, declined and asked Mr. Fukuda to dismiss him. Mr. Nakagawa, a well-known spokesman of the LDP's *far Right,* later *emerged* as the key man in efforts by the Fukuda faction to force Mr. Ohira to back down on his original selection for the Party secretary-generalship.

Mr. Ohira had originally pro*posed the appointment of a* former minister *of* agriculture in the Fukuda Government, Mr. Zenko Suzuki, as Party secretary general, but changed his mind on Tuesday after Mr. Fukuda expressed strong opposition to the choice (on the grounds that Mr. Suzuki is "close" to ex-Prime Minister Kakuei Tanaka, now on trial for his alleged involvement in the *Lockheed affair*). Mr. Ohira's second choice for the key Party post was Mr. Kunikichi Saito, member of his faction and a former health and welfare minister. This choice was the main bone of contention during today's protracted Party squabbling.

TOKYO'S NEW INTERNATIONAL AIRPORT

Fuel and farms cause problems

BY CHARLES SMITH

TOKYO'S NEW international airport, better known as Narita airport, has had an almost incident-free run since it opened last May after five years of delay and a tense final two months which included a commando attack on its control tower by anti-airport radicals.

Narita is still, however, the most snag-ridden project undertaken by any post-war Japanese government — *with the possible* exception of the ill-fated Okinawa Ocean Expo of 1975, which failed largely because it coincided with the post-oil crisis recession.

Some of the reasons for the snags — and some of the redeeming features which have enabled the authorities to claim that Narita fiasco stories were a *grand exercise in journalistic* exaggeration — are set out below.

First, the redeeming features. Narita *has turned out to be an* easier place to get to than most people expected before it opened. The airport is 41 miles inland from the Tokyo city air terminal where most passengers check in—and there are 41 miles of four lane highway which can become blocked for hours by even minor accidents. In spite of this, getting to and from Narita (the world's second most distant airport from the city it serves) has proved to be less of a nightmare than feared.

"Limousine buses" (furnished with special blue cards which can be shown to the driver by passengers who discover a sudden need to go to the toilet) *make the journey* in an average of 70 minutes—which can be cut to 50 minutes in off-peak periods.

"Sky-liner" trains operated by a private railway company take an hour, but have been little *used since the airport terminus* station is located a short bus journey away from the terminal. *In a typical Narita mix-up, Japan* National Railways, which owns the railway station directly under the terminal, has *failed* to get approval from local authorities for the super-express line it planned to build from Tokyo. This line might have carried passengers to the airport in under 30 minutes.

Next on the list of pleasant surprises is the fact that the students and farmers who opposed the building *of Narita* airport during its ten year construction period have not thrown any Molotov cocktails within airport limits since opening day—and seem unlikely to do so.

The Government claims that *the number of permanently* based radical elements in the Narita area is now a fraction of the *300-strong hard core who* lived on the site before opening day. Some of those who stayed on have married local farmers' daughters and settled down as market gardeners. In their last major set-piece, the "100 days" demonstration organised last September, the radicals mustered 7,000 anti-airport marchers but there was no violence.

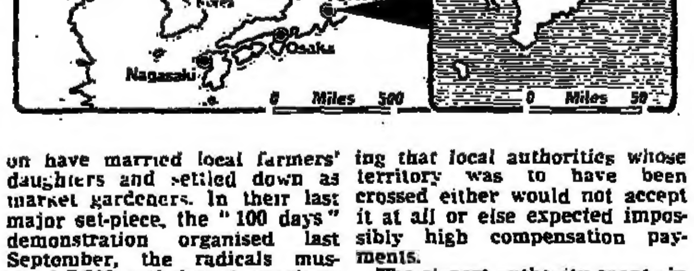
The last reason why Narita is getting a better press than seemed likely last spring is that it is relatively empty. *The* Tokyo International Airport Authority claims that 4 per cent more pas*sengers have passed through* the airport on international flights than used the old Haneda inter*national airport in the same* period last year.

The airport was built, however, *to handle 60 per cent more people* than that as well as hordes of well-wishers and sightseers whose *admission within airport bounds* is still subject to severe controls.

The emptiness of Narita is a *blessing for passengers, but a* catastrophe for the many shops and restaurants which were persuaded to set up there, offering a fair cross section of Japanese consumer gadgetry. The reason for the empty spaces is the very simple one that there is not enough aviation fuel at the airport to support any extra traffic.

In the late 1960s, when Narita was planned by a government which had apparently never heard of *environmentalism,* it was assumed that there would be no problem about building a pipeline which would convey aviation fuel to Narita from a port or ports on the coast of Tokyo Bay, some 35 kilometres away.

The Government started building the pipeline in 1972, but gave up a few months later after finding that *local authorities* whose territory was to have been crossed either would not accept it at all or else expected impossibly high compensation payments.



The airport authority spent six years (from 1972 to 1978) devising an alternative route for fuel supplies which involves two railway lines and a short pipeline between a railhead and the airport tank farm. This has an estimated daily capacity of 4,545 kilolitres, about 30 kilolitres less than the airport needs when its normal complement of 170 scheduled flights is being operated. The difference is made up by drawing on stocks, accumulated *before opening day,* but no-one knows what will happen when these run out.

Last summer, the Government was finally able to obtain the agreement of local authorities to *the building of a pipeline* which will be submerged 12 metres below a river bed and which *will carry four times as much* fuel as the present railway delivery system.

The pipeline will take three years to build and will be so expensive that the airport authority may have to treble its *already high fuel handling* charges when it comes into operation.

Narita airport has one runway at present and cannot expect to acquire another until the Government finds ways *of* buying out 17 farming families who are holding out on 39 hectares of land which would be covered by the second and third runways. (*Another 500 hectares needed for* the enlargement of the airport have been held by the authorities since 1973.) The lack of additional runways means that there are potential landing problems when winds blow across the existing runway instead of along it as they normally do.

Another problem is that Narita's airspace overlaps at one point with that of Tokyo's old international airport at Haneda, now used mainly for domestic *flights. Aircraft* using the two airports are allotted different altitudes in the overlapping *areas.* But the radar system at Narita, introduced in 1973 when most of the airport installations were completed, is not as accurate in measuring altitude as the newer equipment at Haneda.

The airport authority, which incidentally expects to lose Y20bn (£52m) during its first year of operation, can expect to be operating a viable international airport equipped with three runways and large enough to serve Tokyo's needs by about 1982. This *assumes* that the Government puts up the Y500bn needed to build the second phase and that *some means short* of compulsion can be found for buying out local farmers.

The irony is that by that time Tokyo's old international airport, on reclaimed land on the edge *of Tokyo Bay,* will *also* have grown a lot. The Government is currently reclaiming addi*tional land* next to the *main* Haneda runway. The aim is either to extend Haneda's *capacity or* to move the whole airport further out to sea so as to cause less disturbance to local residents. If land reclamation at Haneda poses relatively few problems, as seems to be the case, one might ask why anyone decided to build an airport at Narita in the first place.

WORLD TRADE NEWS

Japanese bid to solve Peking difficulties

By Charles Smith

TOKYO, Dec. 6.

MR. YOSHIHIRO INAYAMA, Chairman of Nippon Steel and chief negotiator of the $20bn Japan-China trade agreement signed last March, will be visiting Peking later this month in *an attempt to reach a* "meeting of minds" with the Chinese on problems which have cropped up over the *implementation of* the agreement.

One of the questions Mr. Inayama may discuss is how much the original agreement *should be expanded:* it has been suggested that the eight-year $20bn framework on which the original pact was based *should* be extended to 12 years and $80bn. Another question, closely related to the first, is how to develop Chinese oil and iron resources which will be needed to enable China to balance its trade with Japan within the *framework of the agreement.*

Japan's Export-Import Bank has offered China a low interest long term loan of between Y200bn and Y400bn to finance the first stages of oil and iron ore development. China, however, appears virtually to have *rejected the Ex-Im Bank offer* on the grounds that it does not wish to borrow yen.

The yen is understood to be one of four hard currencies listed by China as unacceptable for the long term financing of its economic development programmes (the others are the D-mark, the Swiss franc and the French franc). China has told Japan that it wishes to borrow dollars at low interest rates but Japan seems unwilling to meet this request.

Japanese banks would be willing to extend long terms syndicated loans to China on the same terms as to other international customers (that is at a margin over the London interbank rate). Such loans however would apparently be far too costly from the Chinese point of view and are not likely to be taken up, at least in China's current phase of development. China would prefer *instead to borrow dollars from* the Export-Import Bank, which would in turn borrow from Japan's foreign currency reserves (now totalling over $32bn).

The Ex-Im Bank has already begun to extend dollar-denominated loans to Japanese borrowers *for specified purposes* (mainly the financing of "emergency imports"). It has no established *policy, however, of making* dollar loans to foreigners and seems reluctant to start.

The granting of dollar loans to China would lead to demands for similar loans from other trading partners including the Soviet Union (which wants to *secure Japanese financing of its* Siberian development projects). This in turn might lead to accusations from other developed countries including the U.S. that Japan was using "cheap dollar loans" as a form of export subsidy.

It seems likely that Japan will have to make up its mind how to deal with Chinese loan requests by the spring of next year at the latest. This is the time when a number of major plant contract negotiations will enter their final stages. Plant *contracts negotiated in the past* few months have mostly been expressed in dollars rather than yen (or in some cases in a combination of both).

So far, however, the Chinese have preferred to pay in cash, thus skirting the question of whether credit should be extended in dollars or yen. Examples of dollar denominated *cash-based contracts include* a power station contract signed by the Mitsubishi group in November and a copper refinery contract signed earlier this week by the Sumitomo group.

China's reluctance to borrow yen arises from the conviction that the yen will continue to appreciate against the dollar and from the fact that the oil it *hopes to sell to Japan in return* for imports of Japanese plant will be priced in dollars.

Greece rejects terms for Common Market entry

BY MARGARET VAN HATTEM

BRUSSELS, Dec. 6.

GREECE TONIGHT firmly rejected EEC proposals for the *terms of* its accession to the Community, and asked the Council of Ministers to reconsider its *offer on several key areas.*

Mr. George Rallis, the Greek Foreign Minister, said afterwards that the Community's offer was "disappointing and unacceptable." The Community was evidently more concerned with satisfying the demands of its *present members* than with trying to understand Greece's needs.

The offer put to Greece, finalised a *few hours earlier* in the Council of Ministers, is considerably less generous than that proposed by the EEC Commission at the end of October.

The Commission had proposed that two-thirds of Greek farm products should be eligible for EEC prices after five years, and that there should be a seven-year transition for the remaining third, represented by olive oil, fats, meat and dairy *products.*

The Council, however, decided that the seven-year transition period *should be extended* to eight on these latter products and that this group should be widened to include wine *and* certain fruit and vegetable products — fresh and processed.

This would mean that the eight-year transition period *would* affect almost three-quarters of Greek agricultural production, leaving only a quarter *eligible for* EEC prices within five years. The Greeks are pressing for a five-year transition period for *all* products.

Another major issue concerns the free movement of Greek workers throughout the Community. The EEC has proposed an eight-year transition period, while the Greeks want free movement from *the moment* they join.

This presents particular problems for Germany, which already has a large immigrant worker *population,* and *which* fears a large influx of Spanish workers, should Spain try to use the Greek terms of entry as a precedent in its own negotiations to join the Community.

Mr. Rallis said tonight that Greece would set out its position in detail in a memorandum to the Council, and that this would serve as a basis for further talks *between* Greek and Community ambassadors next week.

Carter criticised on trade with Russians

BY DAVID SATTER

MOSCOW, Dec. 6.

MR. AVERILL HARRIMAN, the veteran *diplomat* and *former* U.S. ambassador to the Soviet Union, today said trade should not be *linked to any other aspect of U.S.*-Soviet relations and it was an "outrage" that the superpowers did not have normal trading relations.

Mr. Harriman made his remarks at a luncheon of the U.S.-U.S.S.R. trade and Economic *Council* after *emerging* from a 90-minute meeting with Mr. Leonid Brezhnev, the Soviet *President.*

He called on the top 400 U.S. business executives present to join in efforts to "get a decent Bill through Congress," a reference to the repeal of the Jackson-Vanik Amendment to the 1974 Trade Act which ties liberalised trade to specific Soviet undertakings on Jewish *emigration.*

Mr. Harriman indirectly criticised the Carter Administration's *decision this summer to impose* new controls on the sale of oil equipment to the Soviet Union in retaliation for Soviet dissident trials.

He said it was in the American national interest to help the Soviets *increase oil production and, despite* the large Soviet market for U.S. agricultural products, it was also in the U.S. national interest to *help* the U.S.S.R. increase agricultural production.

UK banks sign $1.2bn credit deal with China

By Lorne Barling

REPRESENTATIVES OF seven British banking groups yesterday signed separate agreements with the Bank of China for deposit facilities amounting to $1.25bn which will be used to finance UK exports to China.

The largest of the agree*ments, which will in effect* form a line of credit, is with the Midland Bank and amounts to $400m, *followed* by the National Westminster Bank Group with $300m.

The other participants are S. G. Warburg in conjunction *with Lloyds Bank International* ($100m), Standard and Chartered Bank ($100m), *Barclays Bank International* ($150m), Williams and Glyn's Bank in conjunction with the Royal Bank of Scotland ($50m) and Kleinwort Benson in conjunction with the Royal Bank of Scotland ($100m).

The deals, signed in London, *specified that to qualify,* contracts must have a minimum value of $5m and must be placed within 18 months. Interest rates will meet the rules of the international consensus. Classifying China as an intermediate country this *would be 7½ per cent for credit* of two to five years.

Mr. John Smith, Secretary of State for Trade, commenting on the signings, said: "The way is now clear for a big increase in our trade with China and that will be of advantage both to British exports and to China's programme to modernise and re-equip her industries."

The Export Credits Guarantee Department, which supported all the agreements, said that negotiations were continuing with the Bank of China regarding the financial arrangements for major project

- The London Chamber of Commerce and Industry is working with the Department of Trade to publicise the new scheme which enables British exporters to apply for aid when bidding for contracts in *developing countries.*

Under the scheme launched earlier this year 5 per cent of the UK's total bilateral aid (£15m-£20m a year) has been made available for commercial projects which are "developmentally sound."

- France and China signed yesterday an industrial co-operation agreement in the field of data-processing and electronics, AP reports from Paris.

The agreement allows for the supply of complete equipment, partially-built units and components, the granting of licences, as well as technical know-how and the training of Chinese technicians, the Ministry said.

Mercedes service station network for Soviet Union

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MERCEDES-BENZ of West Germany is to establish a small network of vehicle service stations along the most impor*tant international routes in the* Soviet Union.

The arrangement follows the appointment of Mercedes as "official suppliers" to the 1980 Moscow Olympic Games. From the middle of next year cars, small buses and other special *vehicles will be placed at the dis*posal of the organising committee.

It has now also been agreed that Mercedes will establish 12 workshops and a mobile emergency service system in the Soviet Union.

The Soviet Union has very few service stations at present. One estimate is that there are only 350 to serve the whole of the heavily-populated western region of the country.

Cars and commercial vehicles of any make will be able to use Mercedes stations during the Olympics. Afterwards they will remain to service Mercedes vehicles only. The deal will bring to 3,075 the number of Mercedes service stations in Europe of which 1,239 are in West Germany.

Coal research agreement

BY JOHN LLOYD

THE UK National Coal Board and the Italian state company Ente Nazionale Idrocarburi yesterday signed a technical collaboration agreement to combine *research into converting coal* into oil and gas.

The agreement provides for an exchange of technical information leading to an agreed programme of collaboration between the NCB and the Italian com*pany.* At a later stage, the two organisations would engage in joint laboratory-scale studies, pilot plant development work and assessment of the technology required for commercial-scale applications.

Progress in aircraft tariff talks

BY DAVID BUCHAN

WASHINGTON, Dec. 6.

CONSIDERABLE PROGRESS has been made on the U.S. proposal in the Geneva Multilateral Trade Negotiations (MTN) to remove tariff and non-tariff barriers in the multi-million dollar aircraft trade. But U.S. officials fear time may run out on the proposal which was only tabled by the U.S. after the *Bonn Economic Summit in July.*

The U.S., which as the world's largest aircraft manufacturer and exporter has an obvious interest in seeing restrictions in other markets lifted, has apparently found support for its plan in Japan.

More surprisingly, officials in Mr. Robert Strauss's special *trade office,* say *that EEC* countries and the European Commission, which had hitherto sought to *blunt* competition from U.S. aircraft companies, have also shown interest.

Steel recession changes traditional thinking. **Roy Hodson reports**

Switch to developing nations

AMONG THE most serious casualties during the painful recession in world steel trading since 1975 have been the conventional ideas of steelmen in the developed nations.

There is now growing recognition that the world steel industry of the 1980s will be a very different animal to the one envisaged in the early 1970s by the established *steel companies.*

Practically nothing concerning the relative roles of the old steel*making nations, and the new*comers with their resources of ores, coal and energy, is working out as predicted *before the crisis.*

Just how fundamental are the changes in world steelmaking *development is spelled out* in a new report prepared by the secretariat of the United Nations Industrial Development Organisation in Vienna. The intention is that the report will form the *basis of a consultative meeting* of world steelmakers in New Delhi in January.

At the heart of the discussions will be the rapid switch in steelmaking development schemes from the European and other advanced countries to the developing nations. Between 1978 and 1985 the developing nations will be installing 120m tonnes of new steelmaking plant — more than the European Community's total capacity. Two-thirds will be contributed by six nations, Brazil, Iran, Venezuela, Argentina, India and South Korea. China is likely to add 30m tonnes.

A few years ago the advanced steelmaking nations, concerned about the high cost of new steelmaking in their own countries and the burden of environmental control measures, *were favouring* the creation of plants of their *own to make semi-finished steel* in countries with rich ore deposits including Australia, Brazil, South Africa and Venezuela. The United Nations report concludes: "That con*cept has been largely put aside. The sponsors of 'semis' projects* have been forced to suspend or cancel them because of lack of funds and the poor prospects in the international steel market."

In contrast to the dilemma that is facing the advanced steelmaking nations, steel industry projects in many developing countries are being pursued rapidly.

Iron ore deposits and supplies are crucial to the expansion of *steel production in the develop*ing countries. The UN Indus*trial Development* Organisation is preparing, subject to approval at the New Delhi conference, arrangements among developed and developing countries interested in exporting and importing iron ore to help developing countries towards an understanding of the structure of the international market. UNIDO is prepared to identify cases for possible co-operation between countries to exploit shared ore deposits.

International co-operation to make better use of under-exploited deposits of coking coal is also planned. The UNIDO report is proposing a study tour for developing countries to see practical examples of modern methods of economising in the use of coking coal.

The forecasts predict that the developing countries will increase their steelmaking capacity by some 12 per cent a year over the next 10 years. That means that crude steel output in developing countries, including China, by 1985 will be of the order of 140m tonnes a year. Thus the developing countries will, together, be a bigger steelmaking force than either Europe, the U.S. or Japan.

The UNIDO report estimates that the developing nations will have *some* 15 per cent of world steel production by the mid-1980s compared with 10 per cent in the mid-1970s. Meanwhile individual steelworks in developing countries will get bigger. The largest existing steelworks in developing countries is of under 4m tonnes a year. The big works now being planned and built are in the range of between 4m to 10m tonnes a year. At the same time small works of under 0.5m tonnes a year (mini-mills) using direct reduction and electric arc furnaces will play an important part in serving small markets in developing countries.

DEVELOPING WORLD—PLANNED CAPACITY

Country	*1975 capacity* m tons	Planned capacity *1980/82* m tons	*1985/88* m tons
Argentina	3	11	16
Brazil	10	22	32
Chile	0.9	1.4	2.4
India	11	18	25
Iran	1	8	18
South Korea	2.7	6.6	11
Mexico	7	12	18
Peru	0.6	2.2	4
Saudi Arabia	—	2.8	4.4
Venezuela	1.5	7.5	16

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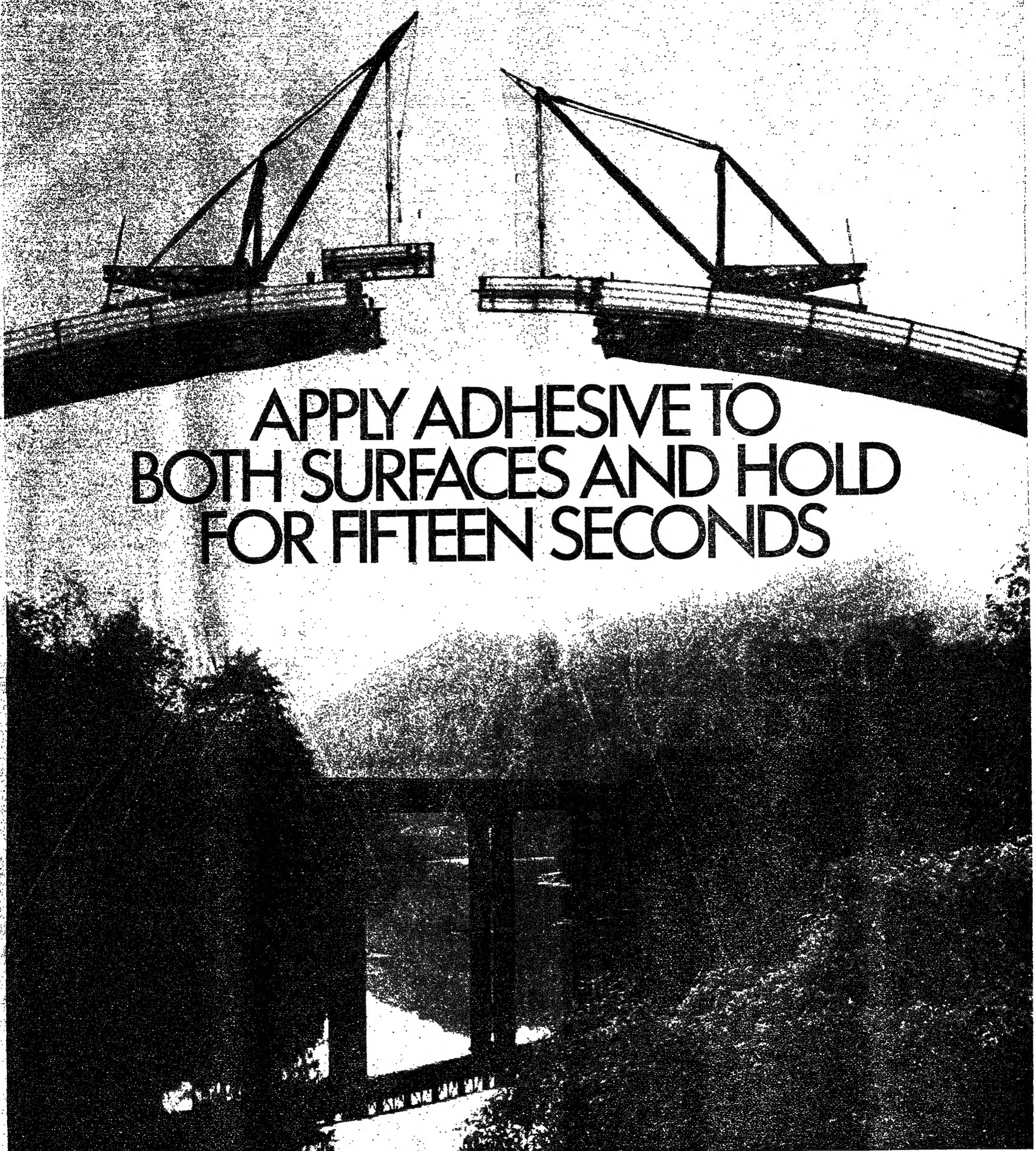

Replacing rivets and bolts with a super glue may seem a little far-fetched. At the moment. But already adhesives are moving into direct competition with traditional methods of joining materials, even in aircraft and car production. Larger structures could be next.

In this revolution BP Chemicals are playing a backroom, but significant part. Adhesives depend on solvents and, using our own basic feedstocks, we produce one of the widest ranges of solvents in Europe and ensure that they are available when and where they are wanted. Without these vital, versatile products many industries wouldn't be able to produce many of the things the modern world needs–pharmaceuticals, toiletries, paints, detergents, printing inks, brake fluids, to name but a few. Including adhesives.

BP Chemicals are one of the founders of the European petro-chemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply.

This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

BP

BP chemicals-making it all happen

HOME NEWS

Sanctions must go CBI chief says

BY PHILIP RAWSTORNE

THE GOVERNMENT will have to abandon pay sanctions if it wants real, *continued co-operation* with industry, Sir John Methven, director-general of the *Confederation of British Industry*, said yesterday.

He told a Press Gallery lunch at the Commons: "The really depressing thing to me is that the Government doesn't seem to care about fairness. Government arm-twisting by secret and informal methods is a weapon capable of infinite misuse."

The CBI shared the Government's objective of reducing inflation, be said. However, *there was an imbalance of power* between employers and unions that could not be rectified by imposing sanctions against companies.

Warning those employers who believed that the threat of Government sanctions might help in pay negotiations. Sir John said: "In the end, employers have to be able to stand up to union pressures on *their own and not depend upon* the certain crutch of Government sanctions."

He continued: "*Sanctions* are dangerous because they are *applied arbitrarily* and according *to secret criteria*. Sanctions are illogical because they cannot be imposed on all firms. Some will escape because they do not depend on Government patronage."

Sir John said that the Government had now developed a panoply of informal and often secret weapons—blacklists, contract clauses and discretionary powers—in support of a "too rigid, non-statutory pay policy which has no support from the TUC."

Government "arm-twisting" might be extended to planning agreements, trade-union dominated industrial democracy and back-door domination of the whole private sector of industry.

Sir John declared that be would fight such moves "to the death." He said: "The solution to our problem lies in no way with the gradual creeping extension of sanctions."

The Government should pursue tight fiscal and monetary policies and keep a close rein on public spending plans. Employers should seek greater solidarity and the unions should be brought back within the law.

The present pay bargaining "shambles" should be replaced with a shorter pay round in *which the private sector made* its settlements first, setting under market pressures the rate for the public sector.

At the same time, greater public understanding and agreement should be sought in a national economic forum of the economic context of pay bargaining.

Warning to tourists over unlawful flights

BY ARTHUR SANDLES

WARNINGS ABOUT unlawful holiday flights abroad, were issued yesterday by Sir Kenneth Selby, chairman of the Air Travel Reserve Fund Agency.

The Fund was set up in the wake of the Court Line collapse and has over £14m to compensate holidaymakers hit by tour company collapses.

In his annuau report, Sir Kenneth *says*: "The Agency is seriously considering the position it must take in respect of losses resulting from the unlawful trading by air travel organisers outside the terms of their licence."

Air tour operator licences are given by the Civil Aviation Authority for specific tours—usually after stringent vetting of financial resources.

A company with a licence to run an occasional foreign trip for a golf club, for example, would not necessarily be legally free to run a series of tours to Majorca, or charter flights to the U.S.

And coverage for passengers on such trips is questionable. "To the extent that the organiser has traded outside the terms of the licence it should not be assumed that the Agency will necessarily meet the customers' *claims*," says *Sir Kenneth*.

"The Agency is therefore considering the steps it should take *to bring home to the travelling* public the risk they assume if they book a holiday which is not *covered by a valid licence*."

The Agency is in a "good position," according to the report, bpt Sir Kenneth says that it is not as strong as he would like.

He adds: "With god management and care it is adequate in the light of known circumstances."

Th ereport shows that there were only a few minor incidents requiring Fund payments to customers last year.

Docklands corporation rejected by Shore

By Paul Taylor

SUGGESTIONS by MPs in a Commons Select Committee that the creation of a new town corporation would more effectively ensure development of East London's docklands than the existing Docklands Joint Committee, were rejected yesterday by Mr. Peter Shore, Environment Secretary.

He also restated his belief that road improvements must take priority over the planned Jubilee Tube line for the docklands.

Mr. Shore was giving evidence before the environment sub-committee of the Commons Expenditure Committee which began a fresh investigation yesterday into progress made towards revitalising the docklands area.

Much of the questioning centred on the issue of whether the Docklands Joint Committee—made up of the area's five London boroughs and the Greater London Council—was the best body to promote dockland development, given its lack of effective executive power and its complex composition.

Mr. Shore said he was not in *favour of establishing* a corporation on the lines of those for new towns. "I don't *believe a new town corporation* would be right in the docklands area," he said.

He also *rejected suggestions* that the system of special grants to the area was "too complicated." Over the next four years, total capital investment in the docklands area, including special grants, is expected to be £238m.

Mr. Shore said transport was *the "unifying factor" in* the area, but restated the Government's opposition to the GLC's plans *to extend the Jubilee* Line into the area.

Such a line, he said, might *lead to "suburbanisation" of* the docklands rather than serving the function of attracting *commerce, industry, and new* jobs to the area. A mass transit system might be justified *in the future but the first* priority was to establish better road transport links within and into dockland.

The environment sub-committee, which last investigated progress in the docklands area in 1975, plans to complete its present investigation by next March and probably will take evidence from the London boroughs, the Docklands Joint Committee and, possibly, the Port of London Authority.

Shell plans big cuts at Thames refinery

BY KEVIN DONE, ENERGY CORRESPONDENT

SHELL UK OIL is planning to run its second largest refinery, *Shell Haven, on the Thames* Estuary, at only 55-57 per cent of capacity over the next two years, *as part of its campaign to cut the* losses of its refining and marketing operations.

The company has already told its 1,850 employees at the site that it intends to spend £23m over the next five years modernising the refinery. It is proposing to cut the workforce by 550 by the end of 1983.

The refinery is capable of processing 8.4m tons of crude oil a year. But in a letter to employees, Shell says that it will process only 4.8m tons next year, and 4.6m tons in 1980. This compares with 7.6m tons in 1973.

With its four refineries—Shell Haven, Stanlow, Teesport and Ardrossan—Shell has a refining capacity of 31m tons a year in the UK. But next year and in 1980, it expects to be refining only 20.5m tons a year, working at about 66 per cent of capacity.

Shell says that its forecasts suggest that the UK oil industry will not be able to fully utilise its present refining capacity, even as far ahead as the late 1980s.

Shell UK Oil has made a loss in all of the past three years. The *letter* to *Shell Haven* employees says that its operating costs are higher than the average in the oil industry, while its net margins are lower.

As a result, it is not price competitive *and has lost about 3 per* cent of its market share, falling from 22 per cent of the market *in 1973 to 19 per cent this year.*

Labour

To maintain processing levels of 21m tons a year, the company has set itself the target of reducing *its operating costs by about* £2.40 pir ton of product.

The old Shell Haven plant, *parts of which date back to the* early 1950s, is one of the most labour-intensive refineries in the UK

It has 220 employees per million tons of refining capacity, compared with 149 at Shell's Stanlow plant, 91 at Teesport, 142 at Mobil's Coryton plant and 83 at Esso's Fawley *refinery, the* largest in the UK, with a capacity of 18m tons a year.

ICI ethylene plant halted

PRODUCTION of ethylene—raw material for making plastics and fibres—restarted at ICI's Wilton complex on Teesside after a gap of 36 hours.

The 450,000 tonnes a year No. 5 ethylene cracker had been closed for routine maintenance. Severe frost put it out of action for a week.

Uniroyal sells latex plant to Bayer

By Sue Cameron, Chemicals Correspondent

BAYER, the West German-based chemical group, is to buy the Uniroyal synthetic rubber plant at Bromsgrove, Hereford, and Worcester, *for £2.3m. The deal* will give Bayer its first production facility in the UK.

The plant is on a 30-acre site, has an annual production capacity of 10,000 tonnes, and *employs 136 people, who will all* be kept on.

The deal covers Uniroyal's *technical expertise in latex* — synthetic rubber — production. It is expected to be completed in *two weeks.*

Bayer, a prominent international producer of synthetic rubber with seven plants worldwide, has for some time been considering chemical manufac*ture in the UK.*

It is understood to have considered building a UK plant, not necessarily *for latex, as well as* acquiring an existing one.

The group has a big marketing operation in Britain. UK sales for the first three-quarters of this year stood at £80.6m Hitherto Bayer's main European manufacturing outside Germany has been in Spain and Belgium.

A main attraction of the Uniroyal acquisition is that latex is expensive and bulky to transport. *Bayer has found the UK a* difficult market for synthetic rubber because of price fluctuations arising from currency exchange.

Mr. John Webb, managing director of Bayer UK, said yesterday that the translation would integrate well with the group's operations. He held out some hope *that the Bromsgrove plant* might eventually be expanded.

Uniroyal has decided to move out of the latex market altogether. The company's U.S. parent recently agreed to sell its latex interests in America.

Uniroyal is to build a new plant in Manchester to produce vibrathane, a chemical used i making solid tyres and rollers for the printing and graphic industries.

DR. ROLAND VAUBEL GIVES NINTH WINCOTT LECTURE

EMS increase in bank drawing rights has 'inflationary bias'

FINANCIAL TIMES REPORTER

THE INCREASE in central bank drawing rights permitted by the European Monetary System has an inflationary bias, according to *Dr. Roland Vaubel*, professor of economics at Kiel University, West Germany.

Dr. Vaubel, giving the ninth Wincott Lecture organised by the Institute of Economic Affairs *in London last night, said the in*crease in drawing rights implied a considerable expansion of easy credit facilities.

This element in the system carried the idea if a currency was weak in the exchange market, this was just bad luck and since the country's monetary authorities could not be held responsible, they deserved the solidarity and help of their partners.

Since inflation and depreciation of a currency was due to an excess of supply of money over demand for it, and since *supply could be controlled* by the monetary authorities of the country, the latter was clearly responsible for any excess which might arise.

Even where the excess was not due to an increase in supply but to a shortfall of demand because, for instance, the terms of trade deteriorated as a result of a shift in currency preferences, money supply could be adjusted to the demand for money without reducing employment.

Dr. Vaubel, who has spent six years writing a book on European *Monetary Union*, said: "In these circumstances, the offer of a subsidy to all currencies which *are weak* in the exchange market is an incentive for competitive monetary expansion and inflation or—to put it more mildly —it weakens the incentive to avoid inflation."

Margins

If central banks received subsidies for creating or admitting inflation, there would be more inflation than without such facile credit facilities.

Policy conditions attached to the loan could prevent the recipient from abusing it, but they could not remove the initial incentive to perform badly so as to pass the international needs test for indiscriminate help.

The new monetary system contained essentially four elements:

● The variability of exchange rates in the Community was likely to be reduced by fixing parities between the former snake currencies and the French franc. The margins around the parities would remain at 2.5 per cent on either side.

Apart from the grid of bilateral parities and bands between the member currencies, there would *be parities and* bands vis-à-vis the basket European Unit of Account, now renamed European Currency Unit. If a member currency reached the upper or lower end of its band vis-à-vis the basket, there would be consultations but not necessarily interventions. The bands vis-a-vis the basket would be equivalent to 75 per cent of the bilateral bands.

● Exchange rates would be kept within their bilateral bands — if necessary — *through increasing* interventions in foreign-exchange markets.

Credits

● It would be possible to finance the increasing interventions with credits which the member central banks extend to each other through *the European* Monetary Fund, the successor to the present European Fund for *Monetary Co-operation*. The fund would be enlarged from 15bn EUA or ECU to 25bn ECU which *was about £17bn.*

Half the drawing rights would be for medium-term credits with a maturity of two-five years, the other half for short-term credits. The term of the short-term credits was to be extended from *six months* to nine months.

While short-term credits were previously granted unconditionally for one quarter, they would now be given virtually automatically for three quarters.

Moreover, the so-called very short-term drawings which were not only unconditional but also unlimited, will no longer have to be repaid at the end of the following month but at the end *of the second month after the* intervention.

All credits would be denomin*ated in European Currency Units.* Interest had to be paid at the levelled-down weighted average *rate of discount* in the member countries.

● All EEC central banks would *deposit 20 per cent of their gold* reserves and of their reserves *of non-member* currencies, that is essentially of their dollars, with the European Monetary Fund.

Property of the reserves and valuation risk, however, rested with the national central banks. In exchange for their reserves, the member central banks would receive an equivalent amount of unconditional drawing rights denominated in European Currency Units.

To enable the fund to pay out, *the basket of currencies*, of which the European Currency Unit consists, the member central *banks would transfer* to the fund not only 20 per cent of their monetary reserves but also the equivalent amount in their own currency. The procedure was analogous to the creation of the gold tranche in the International Monetary Fund.

Dr. Vaubel said the fourth element in the scheme — the transfer of monetary resources to the European Monetary Fund —was a non-event.

"It actually makes *no* difference whether the reserves are deposited with the fund or not. The *crucial point* is that the member central banks receive increased drawing rights in each *other's currency*."

The second element in the new system — the prospective increase in foreign exchange interventions — was objectionable on welfare — theoretic grounds even if they were not financed with subsidised credits.

Increases

"This is because foreign-exchange interventions involve avoidable interference with the monetary policies of foreign central banks.

"If a central bank sells foreign currency which it has not held in the private banking system, it increases the foreign country's money supply, i.e., it exports its own inflation.

"In a sense, such interventions imply avoidable external effects. They are incompatible with the principle that everybody has to *bear the full consequences of his* actions.

"They run counter to the *notion of individual* responsibility which is a necessary condition for the functioning of the *market's feedback mechanism of* incentives and disincentives.

"I now come to the first and cardinal *feature* of the new scheme: the return of France to a snake-type adjustable-peg system. To consider *this element* in isolation from the others let us assume that parities are not *maintained through* foreign-exchange interventions but through continuous adjustments *of monetary policies*.

"The question which poses itself immediately is: who is to adjust to whom? Which countries subordinate their monetary policies to the exchange-rate target, and which country agrees to renounce all exchange-rate policy in exchange for the freedom to conduct its monetary policy as it wishes, with "benign neglect" of any exchange-rate implications?

"With or without interventions, parity systems can only function consistently if there is *a hegemonial or dominant currency*. If at all, it will be the smaller countries which adjust *to the larger countries*. This is because for the smaller economies, being more open, the benefit *of exchange-rate* constancy has a larger weight as compared with domestic price-level stability than for the larger countries.

Incentive

"The hegemonial currency role is then performed by the currency of the largest economy in the region — like the *U.S.* dollar in the Bretton Woods System or the Deutsche Mark in the snake — because the largest economy and its currency tend to account for the largest share in the international trade and capital transactions of the smaller countries and because *the largest economy, being least* open vis-à-vis the rest of the world, can best afford to adopt *a purely passive* exchange-rate policy.

"Since the benefits of exchange-rate constancy are not fully internalised by the hegemonial-currency country, it may not have a sufficient incentive to conduct a monetary policy acceptable to the satellites. Thus, central-bank cartels with an informal or formal price leader tend to be unstable and short-lived."

Reversal in wealth distribution trend

BY MICHAEL BLANDEN

THE LONG-TERM trend towards greater equality in the distribution of wealth continued between 1971 and 1976, but there has been a slight reversal of the general movement in the last two years.

This is shown in estimates by the Inland Revenue and published *in the latest issue of the* Central Statistical Office's Economic Trends.

The estimates identify two main influences on the changes in the distribution of personal *wealth. There was a rapid and* continuous rise in the prices of residential property, while share prices reached a peak in 1972, fell back to a low level in 1974 and partly recovered in 1975, and 1976.

Increased share prices during the last two years of the period was the main factor contributing to the slight reversal of the long-term downward trend in the shares of personal wealth held by the richest section of the population.

The estimates show that between 1971 and 1974 the share of the wealthiest 1 per cent of the adult population fell sharply from 30 per cent of the total personal wealth to about 22 per cent.

The share of the richest 10 per cent of the adult population dropped from 65 per cent to 57 per cent. At the same time, the share of the poorest half of the adult population improved from about 3 per cent to 7 per cent.

Between 1974 and 1976, the top 1 per cent increased their share again to about 25 per cent, while the richest 10 per cent improved slightly from 57 per cent of the total to 60 per cent.

At the other end of the scale, the poorest half fell back again from 7 to 5.5 per cent.

In another article in Economic Trends, it is shown that the areas of high unemployment in the UK showed a higher growth rate between 1971 and 1976 than other regions.

The average growth of gross domestic product per head was 119 per cent for the nation as a whole. But the North, with an increase of 139 per cent, Scotland (131 per cent), Wales (125 per cent) and Northern Ireland (127 per cent) were above average.

Sharp improvement in UK surplus

THE COMBINED surplus on the UK current and capital accounts improved sharply, during the third quarter of this year, to £210m. This compared with a deficit of nearly £1.5bn in the second quarter and a surplus of £173m in the first three months.

The figures, published by the Central Statistical Office, include revisions to earlier monthly estimates. The visible deficit for the third quarter is now put at £342m compared with a previous estimate of £281m.

However, the invisible trade surplus has been estimated at £316m, compared with a previous projection of £225m. As a result, the overall current account deficit for the quarter is now put at £26m, down by £30m from the previous estimate. Favourable revisions to earlier estimates have also pushed last year's current account surplus up to £406m, against a previous estimate of £289m.

BALANCE OF PAYMENTS

	1976	1977	1978 1st qtr.	1978 2nd qtr.	1978 3rd qtr.
			Seasonally adjusted		
Current account					
Visible balance	−3,589	−1,709	−642	−182	−342
Invisible balance	+2,452	+2,115	+229	+308	+316
CURRENT BALANCE	−1,137	+406	−413	+126	−26
			Not seasonally adjusted		
Current balance	−1,137	+406	−554	+213	−3
Investment and other capital transactions	−2,896	+4,416	+92	−1,779	+72
Balancing item	+404	+2,539	+634	+72	+141
BALANCE FOR OFFICIAL FINANCING	−3,629	+7,361	+173	−1,494	+210
Official financing					
Net transactions with:					
IMF	+1,018	+1,113	—	−505	−26
Other monetary authorities	−34	—	—	—	—
Foreign currency borrowing:					
by HM Government*	—	+871	—	−197	—
by public sector under exchange cover scheme	+1,792	+243	−219	−218	−130
Official reserves (drawings on, +; additions to, −)	+853	−9,588	+46	+2,206	−54

* Drawings on two Eurodollar facilities for HM Government to borrow $2,500 and $1,500 million, and a $350 million bond issue in New York.

Source: Central Statistical Office

Wage costs climbing faster

By David Freud

UNIT WAGE costs in UK manufacturing industry have grown faster than in any of the main competing industrial nations during the past 12 months, according to the Treasury.

In its December economic progress report, the Treasury includes a special article comparing the UK's productivity and wage costs with those of the U.S., France, Italy, Japan and West Germany.

The article points out that in the long run the growth of consumer prices moves in line with the growth in unit wage costs, which in turn reflects the difference between the growth of earnings per head and the growth of output per head.

Over the period of the 1976-77 pay round the increase in trend unit wage costs in the UK was somewhat faster than in West Germany, but slower than in the other four countries. The UK thus broadly maintained its competitive position.

With the rapid increase in earnings over the 1977-78 pay round, however, UK performance has diverged and costs have been rising faster than in any of the other five countries.

Travel agents referred to court

By Arthur Sandles

THE expected reference of travel agency agreements to the Restrictive Practices Court by the Office of Fair Trading happened officially yesterday.

The Association of British Travel Agents has rules which broadly prevent the sale of member tour products by non-members and forbid the sale of non-member foreign-based trips through retail agents which do *not belong to ABTA.*

The association is likely to act for its members in claiming that the rules are in the public interest. ABTA, membership provides a measure of consumer in*surance—for customers* affected by the financial problems of member companies are recompensed by a central fund.

ABTA suggests that abandonment of the present rules might allow unrestricted entry into travel retailing without any consumer protection for deposits or other sums paid.

The Association has dropped many of its rules, including resale price maintenance during negotiation between the OFT and ABTA. Now, however, ABTA is saying that any further changes would hamper client service. The case is unlikely to be heard before 1980.

Apart from the ABTA ex*clusivity rules the OFT is chal*lenging rules on retail premises which call for a separation between travel and *other* work and an ABTA recommendation on agency agreements.

£90m aid sought by small companies

BY JOHN MOORE

ICFC, the subsidiary of Finance for Industry, which provides long-term funds for small businesses, reported yesterday that it had a record amount of business under negotiation.

Applications for loans total *£90m* compared with £78m a year ago.

ICFC provided £32m in loan and share capital to 277 small companies for the six months to September 30, against £19m to 193 companies in the same period of 1977.

The growth in applications is again in marked contrast to the lack of interest by larger companies in Finance for Industry's other lending subsidiary, Finance Corporation for Industry.

Although larger-scale indus*trial loans advanced from £11m* to £24m, the number of companies taking advantage of the *facility has risen only from* 8 to 9.

Executives at Finance for Industry say that the larger companies have kept themselves relatively liquid, and so have not needed alternative financing arrangements.

Demand from small businesses for funds continues unabated. The average size of an ICFC loan is about £115,000. It might have a life of up to 15 years.

But the average life of a loan is eight years, and carries a fixed interest rate of between 13 and 14 per cent in the six-month period to September 30. This has risen to about 15 per cent, and ICFC executives report a slight slowing in growth of demand.

The company says that the continuing upsurge in demand for small-business capital owes much to the small businessman having less access to the larger companies' capital-raising facilities, such as the Euromarkets.

Unaudited group profits before tax of Finance for Industry for the six months ending September 30 was £12.2m compared with £7.43m. Taxable profits for ICFC over the same period advanced from £5.1m to £6.17m.

Tory pledge on inner city health

By Paul Taylor

A CONSERVATIVE government would make proposals for improving health care in the inner cities, including special financial assistance for family doctors, a "top priority," a Conservative health spokesman said yesterday.

The proposals, made by the Conservative Medical Society, could cost between £120m and £140m a year.

Dr. Gerard Vaughan, MP for Reading South, was commenting on a report on the standard of primary health care in the inner cities published by the society yesterday.

In order to correct the situation, Dr. Vaughan said a Conservative government would make the society's recommendations one of the top health policy priorities, "second only to the problem of waiting lists."

Sotheby's Impressionist sale nets £4,104,840

YESTERDAY it was Sotheby's turn to sell Impressionists. In the morning, pictures went for an impressive £3,395,000, *with a* top price of £147,000, plus the 10 per cent buyer's premium, from Patrick Seale, the London dealer, for *Baigneuse*, an attractive nude by Renoir.

The Fuji Gallery of Japan paid £130,000 for a Seurat, *Le Chenal de Gravelines*, while a private buyer acquired *Au Cirque*, painted in 1970 by Marc Chagall, for £115,000. *Vue d'Amsterdam* by Monet made *£110,000 and La Fornarina*, by Joan Miro, the same sum.

In the afternoon session devoted to *drawings* and watercolours, which totalled £709,840, Umeda, a Japanese dealer gave £30,000 for *Le Cavalier* by Chagall and a charcoal nude by Degas made £24,000. Sacha Guitry's copy of *Les Chats* by Champfleury, illustrated by artists of his period including Picasso, Manet and Bonnard, *sold for £8,000.*

At Christie's an auction of Old Master and modern prints made £221,478. The top price was the £9,000, plus the 10 per cent buyers' premium, paid by Tunnick, the New York dealer, for an etching by Jacques Villon, *Nave Nave Fenua*. A self-portrait by Munch sold for £8,500 and another Munch lithograph made £5,000.

A *clock* and watch auction totalled £110,640 and a silver

SALEROOM

BY ANTONY THORNCROFT

sale made £58,845. At Bonhams water-colours and drawings made £20,864.

In a sale of silver Russian works of art at Phillips, New York, on Tuesday, an 18th-century Russian ikon of the Virgin and Child, by an unknown maker, realised $5,000 in the sale which totalled $126,000. The ikon had been in the collection of the Csarina Alexandra Feodorovna, wife of Nicholas II.

● Works by Kenneth Roland, Andy Warhol, Christo, and David Hockney were sold on Tuesday night at a Sotheby's sale of contemporary artists, and not, as reported, at Christie's auction of Impressionists.

HOME NEWS

Sullom Voe at last receives Thistle crude by pipeline

BY KEVIN DONE, ENERGY CORRESPONDENT

THE FIRST crude oil from the Thistle Field is being pumped by the British National Oil Corporation into the Brent system pipeline to Sullom Voe in the Shetland Isles.

The Thistle Field has been in production since the end of March but because of delays in commissioning the pipeline and the terminal oil has so far been produced offshore into tankers.

The field has a production capacity of slightly more than 100,000 barrels a day. This should rise to a peak of about 200,000 in 1980.

Three fields to the east of the Shetlands, Thistle, Dunlin and Heather, are now producing by pipeline into Sullom Voe. The Ninian and Brent fields should start pumping oil to the terminal in the first quarter of next year.

Offshore loading from the Thistle Field has been seriously hit in recent weeks by bad weather. The pipeline should guarantee more sustained production levels.

It is expected that the Thistle group will fall back on offshore loading for part of next year because building delays will limit Sullom Voe's capacity to deal with all the oil available from the East Shetland fields.

The terminal is not expected to operate fully before late 1980 or 1981.

Two members of the Thistle group, Tricentrol and Santa Fe, have released differing estimates for production levels next year. The U.S. company said earlier this week that it expected output next year to total no more than 40m barrels. Tricentrol, the independent U.K. oil company, said yesterday that next year's production should total 45m barrels.

The group are delaying drilling of some production wells to speed work on water injection wells.

Two more water injection wells will now be drilled next year, making a total of five. Ten production wells have been drilled.

Improved engines for 800 tanks

BY MICHAEL DONNE

ALL CHIEFTAIN main battle tanks in the British Army are to have improved engines, with the first being deployed with the Rhine Army next year. The Army has about 800 Chieftains.

This was made clear yesterday by the Government in a response to earlier criticisms by the Commons Expenditure Committee of defects in the Leyland L-60 engine, which, it was said, reduced the effective capability of Chieftain tanks.

Mr. W. M. Mulley, Defence Secretary, says in his reply to the committee that when development of the L-60 was started in 1955, it was new in concept, but the time-scale allowed for development was inadequate and early prototype engines ran into serious problems.

"The pressure to replace Centurion tanks with Chieftains was such, however, that it was decided to begin production of the L-60 engine in May, 1963, although it was apparent that further development was required.

"While the Government acknowledges that further defects may emerge, the results of trials so far give confidence that engines of the new standard will greatly improve the L-60's reliability."

It was announced this year that the UK was starting detailed development of a new heavy battle tank to replace the Chieftain in the late 1980s.

Studies already completed have eliminated the Leyland L-60 as the engine for the new tank, with the choice lying between a version of the CV-12 diesel engine being developed by Rolls-Royce and the U.S. Avco Lycoming AGT-1500 advanced gas turbine being developed for the American Army's XM-1 new main battle tank.

Both engines could meet UK requirements and are to undergo further trials, with a view to a final choice next year.

Sidings grant

MR. WILLIAM RODGERS, Secretary for Transport, has allowed a grant of £400,000 to Tunnel Cement towards the cost of providing additional sidings and rail unloading facilities at the company's Pitstone cement works near Leighton Buzzard, Bedfordshire.

Accountants back CBI's tax relief proposals

BY DAVID FREUD

ACCOUNTANTS YESTERDAY supported the Confederation of British Industry in calling for tax relief on certain business expenses to be introduced in the next Finance Bill.

The Consultative Committee of Accountancy Bodies said in its annual submission to the Inland Revenue, that disallowance of certain types of business expenditure, known as "nothings," remained "one of the most widespread matters of complaint and misunderstanding."

That was also highlighted in the CBI's submission last week when it concentrated on four areas in which it considered changes in tax legislation to be urgent.

Like the CBI, the accountants limited their submissions to a few main points. They called for a review of anomalies in time limits and loss reliefs, and for consolidation and simplification of tax laws.

In the light of Government promises to put stock relief on a permanent basis, the accountants said that anomalies that were of little concern when the relief was purely temporary should be ironed out.

Taxes that produced little revenue but were complicated to administer should be abolished, including capital gains tax, development land tax and stamp duties. Those taxes produced only 1.9 per cent of total tax revenue in 1977-78.

Spreading

Other subjects where action was called for included a review of the law concerning interest on overdue tax; correction of difficulties in the sub-contractors' tax deduction procedures; and clarification of the group relief provisions where group companies were transferred.

The accountants also wanted some measure of spreading the tax burden when accrued interest was received in one year and publication of the decisions of Special Commissioners.

● The Inland Revenue announced a concession to make it easier for companies to transfer executives to posts in different parts of the country.

Executives who would normally be taxed under the benefits in-kind legislation will be able to receive "cheap" bridging loans from their companies to change residence without facing a tax bill.

As the law stands, a strict interpretation would make the employee liable to tax for the benefit he receives from a bridging loan in excess of £25,000. That would have applied at half rate for this year and next under the 1976 legislation and at the full rate from 1980-81.

The concession extends a previous allowance by the Revenue over removal expenses and applies to loans outstanding for no more than 12 months.

More long-life bulbs urged

BY LYNTON McLAIN

BRITAIN'S LAMP industry should make long-life light bulbs more readily available to householders and should provide more information about the performance of bulbs, MPs said in a report published yesterday.

Allegations made by Mr. David Meiklejohn, a Scottish engineer, during evidence to the Commons science and technology committee that there had been collusion among lamp makers to keep quality low, were rejected by the MPs.

But another witness, Professor Sig Prais, of the National Institute of Economic and Social Research, said last night that the doubts raised by Mr. Meiklejohn had not been finally dispelled by the report.

Long-life lamps have double the 1,000 hours' life of most household bulbs, but British makers have been reluctant to produce and market them widely in spite of costs which would be almost level with existing bulbs if both were produced on the same scale.

Double-life lamps accounted for less than 5 per cent of the 100m light bulbs sold to British households last year.

Britain's four lamp companies, Thorn Lighting, Philips Industries, Osram (GEC) and Crompton Parkinson, which supply most of the £35.5m annual UK filament lamp market, are urged by the MPs to make changes in marketing and to scrap at least one restrictive practice.

The MPs want all lamps sold in shops to have packs informing the buyers of the designed life of the lamp in hours and the average light output in its lifetime. There should also be details of filament type. The voltage and wattage should also continue to be displayed.

Some marketing changes would be forced upon the companies if the MPs' recommendations were accepted by the Government.

The changes would be the subject of a marking order under the Trades Descriptions Act 1968, a move rejected by the Government seven years ago.

Light bulbs made to British Standard 161 for an average life of 1,000 hours might in practice, last for as little as 700 hours, the report said.

There is no British Standard for long life bulbs, although an international standard exists for 2,500-hour lamps.

Third report from the select committee on science and technology on the durability and efficiency of filament and discharge lamps: HMSO. 80p.

Construction industry's work value falls 1%

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE VALUE of work carried out by the construction industry during the third quarter of this year was, in constant price terms, down by 1 per cent on the previous three months.

Provisional figures from the Department of the Environment show that the value of work undertaken, when expressed in current prices, stood at £4.22bn against £4.07bn in the second quarter of 1978 and £3.58bn in the corresponding period last year. Figures showed an 8 per cent improvement over the third quarter of last year.

The number of new homes on which construction work started in October remained at the level established in the previous month, according to the Department.

Total housing starts reached 24,100 against 24,500 in September and 24,800 in the same month a year earlier. Taking three months to reduce the effect of monthly fluctuations, starts in August-October fell 5 per cent on the previous quarter and 8 per cent when on the same period of last year.

Talks on Swan Hunter payments

BY ANDREW TAYLOR

A HANDFUL of the more prominent institutional shareholders of Swan Hunter are holding an informal meeting today to discuss the group's capital reconstruction proposals—which include a minimum £23.9m cash payment to shareholders.

The meeting is primarily to discuss whether this level of payment is too low. Certain institutions have been critical of the deal, but so far there has been no indication of a concerted move to reject the proposals.

The deal will fail if shareholders controlling more than 10 per cent of Swan's issued capital reject the offer, so the reaction of the institutions meeting today, which between them hold more than 10 per cent, is critical.

Shareholders are being offered 135p cash plus one share in a new company, Gosforth, for every Swan share held. Gosforth is to take over the remaining Swan businesses following the nationalisation of its shipbuilding operations last year—for which the group received £15m compensation.

A spokesman for one of the group of about six merchant banks, investment trusts and pension funds attending the meeting, said that it was an informal discussion, but there was a feeling among some bodies that the level of cash and quoted investments being retained by Gosforth was too high. Some of this could have been used to increase the cash distribution to shareholders.

Under the proposals, Gosforth will have net tangible assets of £7.1m, including bank balances of £3.7m. But Swan says that this bank balance is not "free cash," as some of this money is owed creditors.

A further aspect of the deal, which has attracted some criticism, is the decision to write down the book value of the loss-making Smiths Shiprepairers from £3.24m to £1—to set up a provision to cover future losses at the Tyneside company.

Report date

The Royal Commission on Legal Services hopes to be able to report in mid-1979 and there will be no interim report. It has received more than 800 submissions from people and organisations connected with the provision of legal services and more than 200 private submissions.

Minerals blacking threat made by Aboriginal group

BY COLLEEN TOOMEY AND PAUL CHEESERIGHT

A DELEGATION of Australian Aboriginals from Queensland, yesterday threatened to press for the blacking of Rio Tinto-Zinc group minerals landing in the UK. They want a radical change in the group's attitude towards Aboriginals living near a bauxite mine in Queensland.

The threat came after the delegation, led by Mr. Mick Miller, the chairman of the North Queensland Land Council, had spent two hours with a team of Rio Tinto-Zinc executives headed by Lord Shackleton, deputy chairman, at the group's London headquarters.

Mr. Miller said he had already received a commitment from shop stewards in Avonmouth, where the group has a smelter, as well as other union leaders including the Transport and General Workers Union and the Scottish TUC, not to handle group materials from Australia.

He said a commitment had also been received from Australian unions not to handle Rio Tinto-Zinc materials.

The group has not experienced any blacking in Australia except for uranium shipments, which at one stage were the subject of anti-nuclear demonstrations. It has no knowledge of any suggestion that its minerals would be blacked on arrival in the U.K.

It has extensive interests in Australia, through its 72.6 per cent owned unit, Conzinc Riotinto of Australia. The main focus of Aboriginal complaints has been the Comalco operation in Queensland, where Conzinc Riotinto has 45 per cent of a joint venture with Kaiser Aluminium.

Some Aboriginals have claimed there has been maltreatment of Aboriginals, who, it is alleged, are confined to a 308 acre compound while the company takes "a fortune from the tribal lands."

Two Comalco officers were in the Rio Tinto Zinc team at yesterday's meeting with the Aboriginals. The meeting, judging by reports from both sides, was a re-statement of known positions.

The Aboriginals want compensation for the use of their land. Comalco maintains that its presence is legal and that part of its policy calls for Aboriginal advancement as a central aim.

Gatwick project needs review, says Sussex

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE GOVERNMENT has been urged to study in more detail the effects on surrounding communities of any further expansion of Gatwick Airport before it decides finally.

West Sussex County Council, in whose area Gatwick lies, is concerned that development there might become comparable with that at Heathrow.

Gatwick has recently been expanded, in a £100m modernisation scheme, to take up to 16m passengers a year, against the present 7m-8m.

In its White Paper on Airports Policy, published this year, the Government envisaged further possible expansion to 25m passengers a year by means of a second main passenger terminal, to cope with expected traffic growth in the 1980s.

Because of the time it will take to build, the British Airports Authority will probably ask the Government this winter for planning permission for the new terminal and associated plans, which will then probably be the subject of a public inquiry.

However, the council questions the airport's ability to cope with even 16m passengers a year, especially with only one runway.

A report prepared for the council by a study group, set up by the council's policy and resources committee, suggests that with 16m passengers a year the airport would provide employment for some 36,500 workers, directly and in local services and ancillary occupations.

Expansion to cope with 25m passengers a year would raise the total employment to 55,000, including 30,000 on the airport.

The report describes the White Paper proposals as naive. It says that no further expansion beyond 16m passengers a year should be considered without the government making clear its intentions should a second terminal be built and one runway prove insufficient.

THE JOBS COLUMN

How to find out more about head-hunting

BY MICHAEL DIXON

PITY the Poor Struggler was, I think, the name of a pub once kept by Albert Pierrepoint, the former hangman. It is a phrase which has been brought to mind frequently by the response to the "international league table of head-hunters" published here on November 21.

Now that recruitment of managers and specialists through intermediary concerns is apparently fast assuming the proportions of major business, it is surely part of the Jobs Column's job to try to expand public knowledge about the whole range of consultancies and agencies involved. (And since it is best to start as I need to go on: the whole range is what *I* mean by "head-hunters.")

It feels good to be able to report that the overwhelming majority of the more than 60 comments which have arrived on the subject of the "league table," have at least agreed that it was well worth while for this column to attempt to convey an idea of the relative size of major concerns recruiting on behalf of *client employers,* whether mainly by advertising or by the "search" method of individual approach.

But it did not need all the letters and telephone calls to acquaint me with the fact that *information about such organisations tends to be equivocal.* I knew it. That was why I was at pains to point out 16 days ago *that, since international* head-hunting is considerably farther-flung than I am as yet, I was confined to passing on to readers in various countries the estimates of relative size made by the redoubtable Jim Kennedy, publisher of the American-based newsletter, Consultants News.

So while I am equally pleased to pass on Korn/Ferry International's complaint that their total fee billings in the fiscal *year were $12.8m—which would* place them over PA International at the top of the table instead of fifth with $10m as estimated by Consultants News *—I am also bound to state what Jimmy Kennedy thinks on the question.*

His cabled reply starts: "Consultants News stands by its estimates." And that is all I shall say here, because it seems best *for everyone* concerned that this column should restrict itself to noting that there exist different views about the figures but that, by any reckoning, Korn/Ferry *is one of the leaders in its field.*

The same applies to two other cases. Billington Fox and Ellis states that its total billings for the same year were $11.6m, which would place it third in the published table between Heidrick and Struggles, and Egon Zehnder, instead of 12th with $5.7m as estimated by Mr. Kennedy. Dolf Kohnhorst, of Berndtson *International,* tells me that its billings were $5.8m, which would bring it into the table in 12th place. Those are the only three specific complaints I have received.

Other readers, however, are plainly anxious in their comments to drive it into my, and the public's, skull that size comparisons of head-hunting businesses are fraught with difficulties both numerous and devious.

Illegal

One concerns the European use of the individual-approach method of "executive search," which accounts for a large part or even the whole of the activity of many recruiters. This method *contravenes official regulations in several countries, especially in Germany* where it is illegal to make enticing alternative offers to people at work, or to keep files on the *qualifications* of promising potential candidates. But surely no one could pretend that search business is not done there; the question is just how and to what extent the results are recorded.

Another difficulty, *pointed out* by a good three dozen people, is that in the U.S. where most of my "top 20" head-hunters are mainly based, custom allows recruiters to go about openly asking employed *managers* whether they would fancy a job-change. To do the same in the UK, however, would probably be enough to give everyone concerned *a fit of the blushing* vapours. So in the U.S. search can be a volume business with methods and billings to match, elsewhere it tends to be conducted *far more modestly.*

A further numerously *asserted difference between* searchers on different sides of the Atlantic is that, since one can hardly poach employees from companies which employ one to poach people from others, every new concern a searcher adds to his list of clients effectively subtracts one from his sources of recruits. The consequent restriction on the size of business is far tighter in the U.K.—say—where the market is relatively small, than in the U.S.

More contentious, perhaps, is the argument of Bert Young, of Alexander Hughes and Associates (UK) that since the salaries paid to recruiters in America are twice as high as *those earned here, the* U.S. organisations ought to produce twice the fee-incomes of their British counterparts.

"By looking at the performance of our U.S. affiliates, Eastman and Beaudine," Mr. Young said, "I have come to the conclusion *that we have an equally* effective level of success. I'm definitely convinced, however, that we do not have the same level of motivation—taxation, corporate and private, takes care of that. Frankly, I envy my U.S. colleague in this respect; he has every reason to go for volume."

All of which persuades me that, given the object of expanding knowledge about the head-hunting business, the exercise that started with the league-table has on the whole proved satisfactory. But I'll think very carefully, I can tell you, before making any similar *ranking in the future.*

Dark seahorse

YET another thing *I* have learned lately is what a shipping sale and purchase broker does for a not inconsiderable living. My teacher was Tony Barker, of Merton Associates (Consultants), who needs one *for a big London concern which* he may not name, although he guarantees to abide by any applicant's request not to be identified to the employer until *specific permission has* been given. The lesson about this, to me, previously esoteric job went roughly as follows:

If you are a *buyer who just* needs to get cargo transported, you go to a charter broker who goes off to the Baltic market and gets you some shipping.

But if you want a *whole ship,* then your position is delicate because the market is affected, of course, by open declarations of demand. So you keep what you want quiet, except *for* whispering it to a sale and *purchase broker,* who tiptoes off and finds someone whose secret wishes match reasonably profitably with yours. And Bob's your business, so to speak.

"It's work *that* calls for an ear to the ground where market rates and so on are concerned, and an eye for future trends," Mr. Barker said. So it presumably also requires a glad hand for contacts in and around shipping, making it virtually certain that the successful candidate will already be established in the business.

But there is a wide age range for the job, which will be responsible directly to the company's managing director. "Anywhere from early *30s* up to 50 or so would do."

Since the newcomer is required to justify a directorship quickly, whoever gets the job will be expected to earn much by way of commission as well as a *salary of—I* would think—about £10,000. Inquiries by telephone to Mr. Barker on 01-388 2051.

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Please reply in confidence to N W M May (Ref: 825F).

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Candidates should have experience at a responsible level in accountancy and finance and a knowledge of pension administration. They should hold an appropriate professional qualification and preferably be aged from 40 to 50. Some experience or knowledge in the investment field would be an advantage, as the successful applicant will be required to work with the Investment Manager for the Schemes.

It is not expected that candidates will be versed in the full range of duties involved and a planned introduction is envisaged, involving a progressively widening job span.

Please reply in confidence giving concise personal and career details, quoting Ref. T899/FT to D. E. Shellard

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Please write to us as soon as possible with relevant personal and career details, and a contact telephone number so that initial interviews with the partner in charge can be arranged quickly.

Applications should be sent, in strict confidence and quoting reference F108 to:

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Candidates will be qualified accountants probably aged 30-35 who have experience within an international business environment. In addition to a high degree of technical competence, they must demonstrate a strong personal presence and the commitment to succeed in a competitive corporate environment.

Interviews for this appointment will be conducted before the Christmas holiday period and applicants should therefore submit relevant details to Nigel V. Smith, A.C.A., or Peter Dawson as soon as possible, quoting reference 2325.

Commercial/Industrial Division

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Applications together with full CV should be forwarded to: Position No. ASA [illegible], Austin Knight Ltd., London W1A [illegible].

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

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Contact: Philip Plumbley

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Applications in writing, together with C.V. to Box A6565, Financial Times, 10 Cannon Street, EC4P 4BY.

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Telephone 021-643 7226 (24hr. service) quoting Ref. 1173/FT. Reed Executive Selection Limited. 6th Floor, The Rotunda, Birmingham B2 4PB.

The above vacancy is open to both male and female candidates.

London Birmingham Manchester Leeds

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APPOINTMENTS ADVERTISING

CONTINUED TODAY ON PAGES 36, 37

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● SOFTWARE

Jargon replaced by plain English

ENORMOUS efforts have been deployed in recent years to make the computer accessible to many more users, principally by *simplifying the various* languages used to communicate with it, but also by building machines which have already within them translation routines *which will allow them to learn* from users in a step-by-step procedure. This includes the Adam machines.

Work carried out in the U.S. *at Berkeley Enterprises seeks* to go a long step further and eliminate the need for computer languages of any kind by providing a universal translator that will accept statements in plain English and interpret them into instructions for any computer.

The particular black box that does this is called Djinni and the startling claim for it is that "implementation of artificial intelligence" will cause it to understand an instruction in English to perform a specific job, *however this instruction is* worded. *If one thinks for a* moment of the many variations it is possible to make of a short sentence without changing its *basic meaning or infringing* grammatical rules, the real significance of the claim is immediately apparent.

The unit will extract the exact meaning of an instruction from any one of, possibly, several hundred variants.

Present state of play is that Djinni has a 100-word vocabulary and identifies some 25 concepts such as "add, copy, or print."

Under development are additions which will take the vocabulary to 400 words and the number of concepts or commands to 70. This *should be adequate to cover a* great deal of industrial and commercial work. There are necessarily ground rules *for the use* of the unit: but these cover less *than four pages.*

It is being implemented in conjunction with one of the computers at Browns University which is at Providence, Rhode Island, and interested persons in North America have been testing it over terminals and telephone links.

Applicable to most human languages, *it is not a computer* language in itself and could best be described as a method of seeking clues through the meaning of words, of concepts and through *interpreting contexts using* mathematics, linguistics, logic, and—inventors say—"common sense."

Perhaps it is early days to *become too enthusiastic. But* success with this development would immediately hand back control of a company computer to top management (where it *belongs), eliminate the huge* overhead of learning computer languages, and broaden the present restricted class "computer user" to encompass all literate people able to tap out a request on a keyboard.

Further details of Djinni *from* Olaf Thorsen at Berkeley Enterprises Inc., 815 Washington Street, Newtonville, MA 02160, U.S.

● COMMUNICATIONS

Data over telephones

SHORTAGES of modems essential to translate computer talk into telephone signals and back *recently experienced by users* of the 2,400 bps Datel services from the Post Office—with delays up to six months reported—underline the claim recently *made by Charles P. Johnson*, president of General DataComm Industries, that PTT's should be common carriers only and keep out of the products market—*especially those sectors which* demand electronic expertise of a high order which is only accessible to companies with a growth rate big enough to buy the best *brains. PTT's do not understand* data transmission which is quite different from telephone traffic, he asserted.

General DataComm is the U.S. *market leader among* the independents and is seeking to penetrate more deeply into Europe, where sales of modems are expected to expand by 30 per cent each year over the next five years to a cumulative figure of over $1.25bn.

The company is competing strongly across the modem product range with Racal-Milgo and Racal-Vadic and covers the multiplexer area which the latter do not yet take in. UK representation is via International Aeradio which designs and installs complete systems and furnishes services to all its users. Latest product to be offered in Britain is a 4800 bps modem with a fast poll facility.

General DataComm turned over $30m in the year to September, 1978, a growth of better than 50 per cent, entirely derived from communications equipment for computer users and complementary units such as monitors and testers.

The company sees explosive world growth continuing, extrapolating from the belief that while in 1975 there were 120m business telephones in the world of which one in 100, or 1.2m, had a data termination, the proportion will go to one in 15 by 1987 on a business telephone population of over 240m and will amount to 16m *telephones with* data terminations.

In other words, the modem market will continue to grow at 24 per cent compounded for the next ten years.

That the predictions made by Charles Johnson are, if anything, conservative, is borne out by a state-of-the-art report from Infotech. This group's study "Future Networks" singles out computer networks as worthy of at least the same attention as microcomputer developments if Britain is to maintain its international technology status.

But large networks are very expensive to establish and will require public funding Infotech asserts.

(Infotech on 0628 35031).

Meanwhile, James Martin has completed the first of his "Public Reports" since joining the Butler Cox group and, in it, deals with computer networks and distributed processing.

He identifies the ability of computers at distant points to communicate with each other and with slave equipment, over telephone lines, as the fourth major development in computing since its inception and draws the consequences for governments, PTT's and computer users generally.

The study examines existing and proposed networks including packet-switching systems and the satellite-based concepts.

Further information on the study, priced at $275, from Butler Cox and Partners on 01-353 1136.

Business equipment study

LATEST market report to be published by Pactel covers business communications in Western Europe and costs $895.

Although it comes to the conclusion that the "office of the future" will not really become commonplace until the mid 80s, it nevertheless sees some equipment areas in which growth will be marked between now and 1986.

For example, facsimile transmission is predicted to be the biggest growth area, with the present annual shipment rate (machines) of $35m rising to $129m by 1986—an average annual growth rate of nearly 18 per cent. Microfilm equipment growth is put at nearly 17 per cent rising from $186m now to $642m by 1986 while the bigger private branch automatic exchanges (over 1000 extensions) will grow at about 12½ per cent to $311m.

Interestingly, some of the growth looks as if it will be at the expense of one communications area in particular, telex, which Pactel reckons will put on a mere three per cent per annum in terms of machines sold.

Other relatively slow growers, according to Pactel, will be mobile radio and paging (3½ per cent per annum) and the humble telephone handset, about 6½ per cent.

During the period the total market in these areas is expected to more than double from $1.21bn to $2.61bn, an average annual growth rate of about 10 per cent.

Sources of data and opinion includes the PA consultants throughout Europe, special market surveys, interviews with suppliers, interviews with "leading edge" technologists/market planners, and data collected in the Pactel international information centre. All the figures are at constant 1978 prices.

Pactel believes that one of the growth-inhibiting factors in the business equipment area is the failure of most equipment makers to address themselves to more than one or two areas. The user is frequently faced with the task of integrating the many *separate products to satisfy his* needs. There are very few "fully integrated" solutions.

The report, "The Business Communications Market place in Western Europe, 1978-86" is available from Pactel SA, Grand Rue 56, CH 1700 Fribourg 2, Switzerland.

Networking made easier

FULL REMOTE control over any distance is possible with the *latest 1 kW high-frequency trans*mitters launched by Redifon Telecommunications.

Transmitters can be sited in open areas suitable for propagation *purposes and can be con*trolled over land lines from a central, urban control centre. If required, a country's complete HF transmitting network could be manipulated from one point.

One control unit can deal with ten transmitters allowing frequency, type of service, and aerial selection to be performed by one remote operator. The details for each transmitter can be stored for up to 15 cases, allowing rapid changes and improving operator efficiency.

Designated T1005, the transmitters use synthesis for frequency generation, covering the range 1 to 29.999 MHz with *290,000 channels in 100 Hz steps.*

There are 11 selectable modes of transmission covering single, double, and optionally, independent sideband, and also continuous and modulated continous wave.

The control unit is compact *and easy to operate. Commands* are given on a 20-button keyboard and a digital display is provided of transmitter number, channel, and frequency selected. Also provided are type of service and operational status indicators.

Tuning has been eliminated by the use of broadband circuits throughout, simplifying operation to the extent that frequency can be changed in a matter of seconds.

Also absent are thermionic *valves and mechanical devices,* so that routine maintenance is needed only at very long intervals.

Broomhill Road, Wandsworth, *London SW18 4JQ (01-874 7281).*

● MATERIALS

Cleaners have no cables

JUST LAUNCHED this week at the Plant Engineering Maintenance Exhibition and Conference in Birmingham were two floor cleaning machines from Cimex, Cray Avenue, Orpington, Kent.

The battery driven scrubber/drier, EB61, is designed for the simultaneous scrubbing and suction drying of large floor areas and is also suitable for locations where mains electricity is not available, or where the floor is more than 50 metres from the nearest power point.

Incorporating the company's 3 brush counter-rotation system, is *the LS2 ride-on battery powered* sweeper. This has a scrubbing width of 24 inches, brush speeds of 400 rpm, and can deep scrub and dry all types of textured, studded or ribbed flooring even when the surface is uneven.

Bricks can be child's play

GOOD NEWS for the do-it-yourself bricklayer comes from the CSIRO Division of Building *Research in Australia*, with the announcement of a large, lightweight brick that slots into position as simply as a child's plastic toy block.

Designed by Messrs. Max Murray and Hank Pepplinkhouse, the brick is made from a mixture of clay and sawdust and only requires a minimum of mortar. Each has a face equivalent to 2.6 conventional bricks.

In terms of volume, three of these will take up the space of 10 ordinary bricks and weigh about 27 kg as against some 41 kg for 10 of the solid-pressed standard variety.

At present, the concept calls *for the blocks to be used as* in-fill panels between steel or wood columns, where they can be secured with the usual brick ties or — in the case of recessed steel—slotted into the I-beam.

It should also be possible, it is believed, to make angle blocks for use in corners, and to cope with changes in direction. A *free-standing wall, for example,* will require these.

Mr. Murray claims the use of mortar or adhesive may not be necessary at all if the manufacturer could turn out the finished product under tight quality control.

The Division is interested in hearing, from manufacturers will to produce a trial batch of the bricks, made according to its design, at P.O. Box 56, Highett, Victoria 3190.

● IN THE OFFICE

Adaptable furnishing

JUST COMING on to the market is a range of office furniture with *units which may be free-standing,* linked together and, in the case of some units, built upwards over desk surfaces.

The units are being marketed *by Flambo Fortschritt*, 42, Gorst Road, London NY10 6LD (01-965 5611) which claims that its new range can be tailored to the needs of a particular job and yet easily changed around when alterations to an office layout are called for.

Table tops are equipped with points for electrically-operated equipment and for visual display units there are turntables which allow several operators to have access to them from different positions.

Filing systems and peripheral *units to support various types of* equipment are available.

● COMPUTING

Dixons gets ICL 2960

DIXONS, EUROPE'S largest photographic and audio retailer, has placed a contract with International Computers worth over £1m and it happens to be for the *200th ICL 2960.*

Dixons will be replacing its Univac 9380 with the new ICL equipment, which will require a considerable amount of program conversion.

The existing one-line stock control *system is to be completely* redeveloped using the Dataskil 2900 package, CREDITS (Com*puters in Retail and Distributive* Trades). The new stock system will track the goods from the initial order through to the eventual sale and will provide *management with the ability con*tinuously to monitor the entire operation at all levels.

Dixons budgeting and forecasting requirements, both for stock and *for financial informa*tion will be handled by PROSPER (PROfit Simulation Planning and Evaluation of Risk) ICL's financial model-building computer language.

Conversion has already been started by ICL Dataskil and is scheduled for completion when the new equipment is delivered in May next year. It will run under the VME/B Operating System.

ICL House, Putney, London, SW15. 01-788 7272.

● PROCESSING

Bigger cuts by laser

VACUUM Thermal Processes, associate of Wentgate Engineers *of St. Ives, Cambs*, has extended its laser-cutting facilities with computer numerical control *(CNC).*

The laser can now easily be programmed to cut any shape to an accuracy of 0.01 mm, at a rate of 6 metres a minute. *Once programmed, the data is stored* on tape, and may be repeated when required.

The CNC drives a co-ordinate table via stepper motors, and simultaneously the laser parameters. This enables the power to be switched on and off for interrupted cuts or holes. In the past VTP's laser has been capable of circular cuts up to 6 feet in diameter, and linear and profile cuts up to 457 mm (18 ins) x 305 mm (12 ins). Now, with CNC, this has been significantly increased.

It is expected that by April, 1979, when an additional table *is to be installed, linear,* profile and circular cuts of 24 ins x 24 ins will be possible. This facility should enable more companies to take advantage of laser tech*nology, which overcomes many* of the problems previously associated with cutting, such as chips, cracks, splinter, swarf and dust. Laser cutting produces *near perfect edges, and because* there is no pressure on the part being cut, very thin sections may be used.

Vacuum Thermal Processes, Edison Road, Industrial Estate, St. Ives, Huntingdon, Cambs, PE17 4LU. 0223-51538.

● METALWORKING

High speed forging line

DETAILS OF a semi-automatic forging line made up from *already well established* individual items of machinery are being offered by Lamberton and Co.

The company *says it can now provide a complete semi-auto*matic hot shearing and forging line which will accept bars up to eight metres long and feed them one at a time to a heater. The line is made up from a high speed vertical forging press equipped with an automatic billet feeder which, in turn, is fed by hot billets cut on a hot shear at the exit of a bar heater.

As the bar emerges from the heater at forging temperature, the shear automatically measures and parts off the billet, the latter then being presented to the billet feeder via a chute. Billets are fed automatically over the first two die stations and automatically ejected.

The line is claimed to be capable of accepting long bars and converting them into over *1,000 forgings an hour.*

It is stated that manual operations are greatly reduced as only one action is required on a three-blow forging while on a two-stage forging the only requirement is to initiate each stroke.

When employing this forging line, there is no need for a shear operator, material controller, fork lift truck operator and loader at the heater, says the company.

Lamberton is at Sunnyside Works, Coatbridge, Scotland ML5 2DL (0236 20101).

● INSTRUMENTS

Fast check on moving rod

SPEEDS up to several hundred metres per minute can be achieved in eddy current testing of rod and tube using the Eddy*chek Lab 2 system designed in* Germany by Pruftechnik KG and offered in the UK by Baugh and Weedon of Hereford.

Surface defects are detected by *the comparison of measurements* from closely adjoining areas: the search coils are closely spaced and their outputs are electronically compared to produce a defect signal which is shown on a vertical column light display. Known defect levels are set by the user and appear on a similar, adjacent display. If the level is exceeded alarms can be initiated.

Similarly, sufficiently serious defects can be marked using a delay marking module which is microprocessor controlled so that, even if the speed changes after detection, an aerosol marking unit further down the line will make the mark in the right *place.*

The equipment is constructed on a modular basis so that it can be matched exactly to user requirements; later modification *and expansion is also made much* easier.

To keep measurement noise levels to a minimum, several mechanical handling systems for *the needs of various kinds of* flow line have been developed. They are particularly vibration free, minimising erratic signals.

Incorporated in each system is a means of supporting the test coil correctly in relation to the passing rod or tube. A wide variety of coils is available to accommodate different diameters and these divide into two types: thirty-degree segment coils for monitoring welded seams, and encircling coils for rod and *seamless tube.*

The equipment can operate up to 100 kHz, the frequency used depending upon the metal being tested, the depth of penetration needed for the test, and the linear speed. Controls have been reduced to a minimum — only those related to the test procedure have been retained. As a result the instrument is extremely easy to use.

Baugh and Weedon, Widemarsh Street, Hereford HR4 9EZ (0432 67671).

PARLIAMENT AND POLITICS

Home again—to Labour cheers

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN came back from the Brussels debacle yesterday to Labour cheers in the Commons.

"Just what did you achieve for Britain?" Mrs. Margaret Thatcher demanded brusquely as the echoes of the Prime Minister's triumphal entry faded.

A good question—but Mr. Callaghan, of course, had all the answers.

He had put Britain's national interests to the forefront, Mr. Callaghan retorted. "On occasion that is necessary," he rebuked the Tory leader.

At Brussels, in fact, national interests had won the day over international agreement. Mr. Callaghan added.

And a host of MPs were eager to award him the laurels for such a *notable victory*.

Mr. Douglas Jay contrasted him favourably with the Tories who "champion the interests of any country but their own."

Mr. Enoch Powell welcomed him safely home with "relief and satisfaction."

Even Mrs. Barbara Castle could scarce forbear to cheer.

But Mr. Dennis Skinner ungraciously asserted that the Prime Minister had achieved only a "*marginal temporary* victory" in working-class terms.

The Prime Minister smoothly responded that he would continue to wage the battle for *the proletariat's* welfare: and even lectured his left-wing on tactics.

Having gracefully accepted the political plaudits of the anti-Marketeers, *Mr. Callaghan* then extracted his due tribute *from* the pro-Market ranks.

"We can be satisfied that our country played a constructive part in the months of discussion that led to the construction of the European Monetary Scheme," he declared to Tory jeers.

The President of France had said so himself, Mr. Callaghan modestly added. "I prefer to rest *my case on that rather* than on the jeers of an Opposition prepared to do anything to destroy the credibility of the Government."

It was no use mouthing slogans about unity unless the *EMS were devised to meet* the needs of all its potential members, the Prime Minister reproved his Tory critics.

He wished the Six success with their exchange rates; he hoped indeed that EMS would *provide the basis for another* attempt to secure international monetary stability.

Meanwhile, Britain would rely *on its own efforts to* ensure the wellbeing of its people, said Mr. Callaghan.

Mr. Denis Healey, however, would play a full part in the development of the EEC's monetary system in all its *aspects*. And *former* Trade Secretary Mr. Edmund Dell would join an EEC committee to improve the Community's works.

Such moves hardly gave substance to Mr. David Steel's charge that Britain had retreated from Brussels into *second-class* status, Mr. Callaghan suggested.

No one now questioned Britain's loyalty in the EEC.

EMS now 'would mean deflation'

BY IVOR OWEN

BRITAIN could have faced *unnecessary* deflation and unemployment if the Government had agreed to join the new European Monetary System when it starts at the beginning of next year, the Prime *Minister told the* Commons.

His part in the EEC summit in Brussels, which he admitted had *produced* a "*more incomplete* result than was expected" was warmly praised by Government supporters and anti-Marketeers on both sides of the House.

In sharp contrast, Mrs. Margaret Thatcher, the Opposition leader, strongly attacked Mr. Callaghan and insisted that the *fact that the nine EEC countries* had been unable to agree on a major new initiative meant that it was "a sad day for Europe."

Backed by Tory cheers, she maintained that it was a sad reflection on the performance of *the Government* since 1974 that the Prime Minister should have been content to have Britain openly classified among the poorest and least influential nations of the Community.

Mrs. Thatcher questioned the *real reasons for Britain's failure* to join the EMS from the start. Was it economic weakness and lack of competitiveness?

Or were there political reasons, in that the Prime Minister knew that, whatever his own view, the Labour Party would never have allowed the Government to make *Britain a member?*

Approval

A roar of approval came from the Government benches when the Prime Minister retorted: "The plain truth is that just as other countries judge their national interest, we judged ours."

Tory backbenchers went on to the attack with shouts of "shame" as soon as Mr. Callaghan confirmed that he had told his colleagues at the summit that he would not be recommending to the Cabinet that the UK should *participate in the EMS exchange* rate mechanism when it began to *function*.

After stressing that the Government intended to work for a continuation of the exchange rate stability which sterling had enjoyed for nearly two years, he said it had been agreed that the UK would be *free to join the* exchange rate mechanism—or to *remain outside* it—at a later date.

Britain would join in the development of the European Currency Unit and of the European Monetary Fund.

"We are free to choose whether or not we wish to deposit *20 per cent of our gold and* dollar reserves with the European *Monetary Co-operation* Fund against issue to us of a corresponding value of ECUs.

"This is a matter the Chancellor of the Exchequer will consider shortly with the Bank of England. In taking a decision, we shall take into account the *possibility that intervention in* Community currencies could be helpful to us in maintaining the stability of sterling."

Credit

The Prime Minister also confirmed that Britain would participate in the enlarged Community credit which was linked to the establishment of the EMS.

This would be without reserva*tion in the increase in medium*-term credit.

"As regards the short-term monetary support which is more closely linked to day-to-day exchange rate intervention, we have agreed not to call on the credit increase which is now being made, and our partners have agreed not to call on us.

"There is also provision for reciprocal consultation about important decisions concerning *exchange rate policy between* countries inside and outside the exchange rate mechanism."

Ignoring derisive laughter from Tory MPs, Mr. Callaghan insisted that Britain had played a constructive part in the months of discussion that led to the construction of the EMS.

"*The initial decision has now* been taken and it is for each country to decide whether the proposals now on offer are commensurate with the greater risks of going into the exchange rate mechanism."

Effective

His broad conclusion was that while well constructed and effective international monetary *arrangements could assist those* who took part in them in certain circumstances, they could be no more than additional supports.

"In the end," declared the Prime Minister, "it will be the *success of our own efforts in re*straining inflation, keeping down prices, *maintaining the stability* of sterling and remaining competitive that will ensure the long-term well being of our people."

Taking up Mrs. Thatcher's challenge to say what had really *kept Britain out of the EMS*, Mr. Callaghan stated: "I suppose, basically, it was because we felt that the system, as it was devised, was too close to the original snake.

"It gradually acquired more characteristics of the snake as the negotiations went on."

He reminded the Opposition leader that she was a member of the last Conservative Government which took Britain into the original snake only to emerge "very bedraggled" just six weeks later.

In a further justification of the Government's refusal to take Britain into the EMS from the start, Mr. Callaghan stated: "If one of the currencies in Europe becomes a currency of refuge for the dollar, that makes it more difficult for those who will be in this system.

"I am not prepared, at this time, to take that risk."

Mr. David Steel, the Liberal leader, described the apparent division of the EEC into two blocks — with Britain among those in the weaker block — as most unfortunate.

He questioned the Prime *Minister's claim* that Britain had played a constructive role in the EMS negotiations, suggesting that the other members of the Community took a different view.

This brought a strong denial *from* Mr. Callaghan, who said the work of Mr. Denis Healey, Chancellor of the Exchequer, on the EMS had been highly praised by all those associated with the negotiations.

Mr. Douglas Jay (Lab, Battersea North), one of the leading anti-Marketeers on the Govern*ment back benches, coupled his* tribute to the Prime Minister's *defence* of the national interest in Brussels with a prediction that the outcome would gain widespread support throughout the country.

The Prime Minister answered that he had listened to repre*sentatives* of Italy, Ireland, Denmark and Belgium without gaining any indication that they intended to depart from what they considered to be their national interest.

"I thought I was joining modestly on that particular bandwagon."

The chorus of approval from anti-Marketeers on the Opposition benches was led by Mr. Enoch Powell (UU Down South) who stated that the decision not to join EMS would be received with "relief and satisfaction."

When Mrs. Barbara Castle (Lab., Blackburn), contended that the conditions would never be met for achieving monetary stability in Europe through fixed exchange rates, Mr. Callaghan *commented*: "I *cannot* depart from my strongly-held view that it would be in all our interests if the conditions were met."

He hoped that the EMS, even though Britain had not entered the exchange-rate mechanism, would be the precursor to another attempt to get more exchange-rate stability *on a broader basis* embracing the dollar and pos*sibly other currencies*.

During further exchanges about progress by the Community countries towards economic convergence, Mr. Callaghan expressed regret that there was little likelihood of Britain's *moving very far in the direction* of bringing the inflation rate down to that of her major competitors in the next 12 months.

"We may have to take other measures to achieve that over a period of two or three years and to get where the Germans are now."

Mr. Enoch Powell

Lending right Bill hits snag

By John Hunt

THE PUBLIC Lending Right Bill, which sets up a fund to pay authors for books borrowed from *public libraries, ran into trouble* in the Commons last night

Mr. Iain Sproat (Con., Aberdeen S.) spoke for 55 minutes and Mr. Roger Moate (C., Faversham) for 47 minutes.

They were speaking on a new clause from *Mr. Nicholas Ridley* (Con., Cirencester) proposing *that the administration of the* new scheme should be put out to private tender.

In effect, this would allow it to be run by a company independent of the Government.

But after several hours of dis*cussion, the Government* adjourned further debate on the *report stage of the Bill* without explanation. Mr. Ridleys clause was not put to a vote.

The Tories were particularly worried that by having a registrar adminster the scheme, the Government would be setting up yet another "*Quango*"

Under the Bill, £100,000 in public funds would be set aside for authors in the first year.

China trade to grow

BY JOHN HUNT

BRITAIN'S TARGET of £4bn-£5bn-worth of trade with China by 1985 *could well be exceeded*, Lord Goronwy-Roberts, Minister of State, Foreign Office, told the House of Lords.

The current forecast of £200m a year in Anglo-Chinese Trade had in fact already been exceeded since August to the present time, he said when he wound up a debate on improved relations with China.

The signs were that we were on flow with existing contracts to achieve much higher levels than in previous years.

Commenting on the possibility of selling Harrier jump jets to the *Chinese*, he said exports might well include some defence equipment. But we were not prepared to be the only supplier of such equipment to China.

Lord Rhodes (Labour), who initiated the debate, urged that *Britain should go ahead with* the Harrier sale, despite the letter sent to the Prime Minister from Mr. Brezhnev warning of *Russian displeasure if the Bill* went through.

"*We can't go on indefinitely* being undecided about these things," declared Lord Rhodes, who last June led an all-party delegation to China. "First it's on and then it's off. We are going to have the worst of both worlds if we are not careful.

"We should tell the Russians *straight that we are going to do* this deal, which is a straightforward defence transaction."

Emphasising that he was not anti-Russian, he said that Britain had the means and wherewithal to provide technological *exports to China*.

"If through the sale of a few Harriers we are precluded from taking that opportunity, we shall regret it as long as we are a nation.

"Let the Russians be told that this Harrier deal is chicken-feed, *in comparison with the 300* submarines and the big Russian *fleet on all the oceans of the* world."

ELINOR GOODMAN looks ahead to tonight's pay sanctions vote

Dash of tension in a too bland diet

TONIGHT *may* witness one of the few moments of genuine *tension in the House of Commons* this session.

With the Scottish Nationalists and the Liberals both threatening to vote with the Tories, and a group of Labour backbenchers still refusing to fall into line, there *is just a possibility* that the Government could be defeated *on the vote over pay* sanctions. Such a defeat, though not in itself a deathblow to the Government, would be extremely embarrassing to Mr. Callaghan, and make *it very difficult* to go on using sanctions.

Though the Tories have not tabled the motion as a vote of confidence, the Government whips are certainly giving Labour backbenchers the impression that the Prime Minister is very concerned indeed about the *outcome*.

Behind their arm twisting is the clear threat that if the Government does not get the approval of the House for the *sanctions which underpin its pay* policy, Mr. Callaghan just might feel he had to resign and go to the country in the middle of what could be an unpleasantly frosty winter for the Labour Party.

Elaborate

Such threats are, of course, to some extent part of the elaborate game of bluff and counter-bluff which the whips are bound to play with recalcitrant MPs before a crucial vote.

Despite everything, many MPs still believed yesterday that the government would scrape home almost out of habit.

Although the Government is in a minority of five and, since the beginning of this session, no longer has the automatic support of the Liberals on crucial votes, a kind of lassitude has descended on the House of Commons.

Far from having to spend its time dodging banana skins care*fully laid by the Tories as traps* to bring the Government down, one *of the Labour whips'* main worries has been preventing its *own MPs getting too complacent* about its ability to coast every vote.

Since it got through the vote on the Queen's Speech last month by a margin of 12, tension in the Chamber has been minimal.

What excitement there has been has tended to be the kind *of artificially created diversion* which schoolboys might stage in a boring Latin lesson—such as last week's essentially humourous furore over Winston Churchill's role at Tonypandy.

This is partly because the *Government has not tried to* introduce anything but the blandest diet of legislation. So far this session, the Tories have *not* opposed any of the Government's Bills on second reading.

It is not only the uncontrover*sial nature of the legislation* under discussion which has made the House such an undramatic place over the last few weeks.

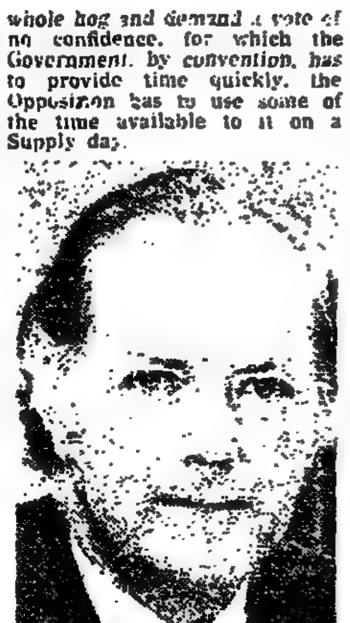
The job of the Tory chief whip, Mr. Humphrey Atkins, is *to be constantly on the lookout* for banana skins with which he could send the Government, if not crashing, then stumbling, to an embarrassing defeat.

For the procedural rules do not make it easy for the Opposition to inflict real damage on the Government through the lobbies.

Indeed, many *Tories* would be extremely surprised if, even given the *Government's minority* position in the House, it was not Mr. Callaghan, rather than the Opposition, who dictates the eventual date of the election. *Deep down very few* people want an election now so the will to jump the procedural hurdles is not there.

As Mr. Atkins pointed out in his evidence to the Select Committee on Procedure two years ago, the Opposition's avenues for censuring the Government *are limited*.

If it decides not to go the *whole hog and demand* a vote of no confidence, for which the *Government*, by *convention, has* to provide time quickly, the Opposition has to use some of the time available to it on a Supply day.



Mr. Humphrey Atkins

It then has three options. It can put down an amendment calling for a reduction in the relevant Minister's salary as a way of expressing its disapproval, or it can propose a motion expressing the Opposition's hostility to a particular government policy.

Alternatively, it can, as it has decided to do today, use the vote on the adjournement.

This third option is considered a weak way out by some. But the Tories argue, as they did in *their evidence to the committee*, that there is very little point in putting down a motion criticising some particular aspect of Government policy only to have it amended by the Government.

The amendment, which can be *couched in such anodine terms* as to make it almost impossible for any *of their own supporters* to oppose, is then voted on first.

Thus, if the Tories put down a motion criticising the use of sanctions, the Government could have concocted some vague amendment supporting the Government's fight against inflation in the most general of pious *terms*.

The Tory whips dismissed the *idea of calling for a cut in the* Chancellor's salary on the grounds that this might have been perceived as a personal attack on the Chancellor.

Though he is by no means popular with the Left, such a *motion would not have attracted* much support from the Labour *benches*.

For the same reason, they rejected a straightforward motion of no confidence.

To defeat the Government in *the voting lobbies*, the Tories either need to get the complete *support of all the minority* partiesand that has proved difficult in the past—or lure some of the Government's own supporters into abstaining.

The view among senior Tories is that even the most rebellious Labour MPs do not want to be responsible for bringing the Government down.

The psychology of the Labour rebellion, as they see it, is to *cause the Government the maximum discomfiture* without actually harming it.

Thus, some Labour MPs might be prepared to abstain tonight *only if they were sure it would* not mean the Government lost the vote.

For this reason, the minority parties and the group *of two dozen or so Labour MPs* opposed to sanctions were yesterday behaving like coy maidens playing whist and were keeping their cards very close to their chests.

The Tory whips were keeping *well away from the Labour* rebels on the grounds that a word from Mr. Atkins would be the last thing to persuade them to abstain.

Mr. Atkins was, however, busy pointing out to the Ulster Unionists that they could with some justification forgo their normal practice of abstaining on procedural motions.

His argument was that the Tories would not have had to *resort to a procedural motion if* the Government had accepted the recommendations for changing the rules put forward by the procedure committee of which of course, Mr. Enoch Powell, the Unionist member for Down *South, was a member*.

Meanwhile, those Labour MPs sponsored by the Transport and General Workers Union were studying a letter written to them by the Union's general secretary reminding them of the union's opposition to sanctions.

At the same time, some MPs were *interpreting the Govern*ment's decision to field Mr. Roy Hattersley, Prices Secretary, and Mr. Joel Barnett, Chief Secretary to the Treasury, as a sign that the Prime Minister was preparing the ground for a *possible defeat*.

In this way, the Government seemed to be trying to downgrade the importance of the vote.

The alternative of upgrading *the proceedings*, and so perhaps ensuring the loyalty of backbenchers, by *the Prime Minister* taking part in the debate, seemed to have been rejected.

Ministers were being cagey about what the Government *would do if it lost the vote*.

Some took the view that, such a result would make the continued use of sanctions very difficult indeed, others that it *would make very little difference*.

The Tories were being equally diffident about their *strategy* after the vote, but if they won, they would presumably challenge the Government to table a vote of confidence.

Then, the whole process of chasing votes would begin again, with the odds stacked in favour of the Government.

LABOUR NEWS

Vauxhall 'near-Ford' pay pact approved

BY PHILIP BASSETT AND PAULINE CLARK

VAUXHALL MOTORS' pay settlement for its 26,000 manual workers, which some union officials estimate could be worth in total as much as the 17 per cent Ford deal which attracted sanctions, was formally approved yesterday by the Government.

The deal gives pay increases ranging from 4.3 to 6.7 per cent for day shift workers, plus £2-£2.60 as the first part of a productivity deal, and further possible *weekly earnings under* the second part of the producti*vity scheme of* 25p-£10.

Vauxhall said throughout the *negotiations, which* included threats of separate strikes by manual workers and craftsmen, that Government pay guidelines had not been considered.

The Department of Employment said: "The Government welcomes the settlement as being consistent with the pay guide*lines*."

It said that the company had told the Government that the settlement added on average 5 per cent to earnings, and a further 3 per cent or more *from* productivity payments. The company had *assured* the Government that the productivity element was within the Government's criteria for self-financing schemes.

The company avoided strikes over the deal at some plants only because *many* workers, particularly skilled craftsmen, felt it gave them increases equalling those under the Ford settlement.

The Government has imposed sanctions on Ford estimated to be worth about *£60m for* breaking its pay guidelines.

● Union leaders of more than 3,400 sugar workers at Tate and Lyle are expected shortly to give final acceptance to a 6.9 per cent pay deal.

The company said yesterday that the increase on the total *wage bill included* a 4.9 per cent rise in basic rates and 2 per cent to be financed by a cut of some *150 jobs in the Liverpool* refinery.

Need for rationalisation in the biggest cane-sugar refinery concern was apparently recognised by both sides in negotiation, after a fall in profitability in the past year or so, partly due to Common Market restrictions on *imports of cane* sugar, and competition from the more favourable EEC policy on beet-sugar production.

Mr. John Edmonds, national officer in the General and Municipal Workers' Union, said that basic rates would rise by between £4 and £6. Average basic rates now were about *£50* a week and earnings £65.

● General secretaries of *four* unions representing 1.25m *Health Service* and local authority manual workers meet today to make plans for concerted industrial action over a 40 per cent claim. Employers are expected to stick to the 5 per cent limit in their offer.

Officials of TGWU win 23% increase

By Our Labour Staff

OFFICIALS of the Transport and General Workers' Union have been awarded pay rises of up to 23 per cent—more than four times the Government's 5 *per cent limit*. *The rises are* being studied by the Department of Employment.

The increases, approved by the union's executive committee which is meeting this week, range from 13 to 23 per cent, *giving rises to about 450 officials* of between £9 and £27.

Mr. Moss Evans, the union's general secretary, who has been possibly the most vociferous of union leaders against the Government's pay limit, is not affected by the increases. His pay and that of all executive officers is *dealt with in a separate review*.

The increases for the officials are backdated to October 30. The largest rises of 23 per cent, for national officials and national secretaries at the union's headquarters, Transport House, are *larger mainly* because they include an element to cover London weighting.

The rises at the lower end of the scale cover area officials at local offices of the union.

The Department of Employment said yesterday that it was in touch with the union about *the increases* and was studying the details.

The Government is also examining increases of up to 60 per cent for TUC staff and rises outside the guidelines for Labour Party staff.

Pit closure fight is planned

By Robin Reeves,
Welsh Correspondent

SOUTH WALES miners agreed yesterday to resist further pit closures, by *industrial action if* necessary, at a delegates' conference in Bridgend.

The meeting also mandated the South Wales leadership to concentrate on winning the miners' basic wage claim of 40 *per cent rather than negotiate* this as part of a package deal.

The discussion on pit closures came in the wake of Plaid Cymru's leak of union Minutes earlier this week, suggesting that the National Coal Board had plans to *close* 11 South Wales collieries.

Mr. Emlyn Williams, South Wales miners' president, said this was *simply* not true. Only one Welsh pit, Deep Duffryn, near Aberdare, was under official threat of being shut.

Move to save shipyard jobs

TALKS HAVE been arranged next Wednesday with Mr. Eric Varley, Industry Secretary, to try to save 12,300 shipbuilding jobs.

The move came after a meeting in York yesterday between British Shipbuilders and representatives of 19 unions for detailed discussions of British Shipbuilders' plan to cut a third *of its workforce for building* merchant ships in the next three years.

Print union offers talks on Times Newspapers crisis

BY ALAN PIKE AND PAULINE CLARK

THE NATIONAL *Graphical* Association offered yesterday to *resume talks on the* Times Newspapers crisis, but only if the company backs down on the crucial issue of who should operate a proposed computer-based composing system.

After a meeting of its national council, the NGA, which last month withdrew from all talks with Times Newspapers, said it would negotiate if the company dropped its demand that journalists and advertising staff must eventually be able to join NGA members in transmitting material directly into the composing system.

The NGA council also complained that Times Newspapers, which suspended all publication a week ago today, could not possibly expect to secure agreement *on all the industrial rela*tions reforms it is seeking by December 15, after which staff will receive dismissal notices.

Mr. Joe Wade, NGA general secretary, said that his union was therefore proposing a meeting between Times Newspapers management and all unions *involved, presided over by either* Mr. Albert Booth, Employment Secretary, or Mr. Jim Mortimer, chairman of the Advisory, Con*ciliation* and Arbitration Service.

This meeting would agree a new date by which negotiations could be concluded, and no dismissal notices should be issued until then.

The NGA evidently is anxious to resume *negotiations on* the Times issue. This is the union's second attempt — a request by Mr. Wade for a direct meeting with Lord Thomson of Fleet, president of the company, was rejected earlier this week.

● Representatives of employers on 1,200 provincial newspapers hit by a *journalists'* strike said yesterday that they were not prepared to defy Government pay policy.

The NGA endorsed a request for assistance from the NUJ for support during the strike.

Union members working for the Press Association are al*ready supporting the strike* by handling only copy processed by Mr. David Chipp, the editor-in-chief.

A meeting of the National Union of Journalists chapel (union branch) also reiterated support for the strikers yesterday, although a move to reverse *a previous decision for* PA journalists not to take strike action was ruled "not valid" because of poor attendance.

Railway unions agree productivity deal

BY OUR LABOUR STAFF

UNION negotiators and the British Railways Board agreed yesterday on a productivity deal, based on busines performance, for the railway's 177,000 employees.

The agreement is subject to ratification by the executives of the three *rail* unions and approval by the Department of *Employment*.

Payments under the scheme, which does not involve any changed working practices on the part of rail workers, would be backdated to April. The payments would represent about 2½ *per cent of* average earnings or just under £2 a week based on BR's current performance.

The business performance scheme is based on passenger and freight ton-miles. It includes a controversial "safety net" arrangement on freight levels whereby productivity payments would be protected above a certain figure if BR's freight business fell off sharply.

The scheme has been disputed by the board and the unions and was the subject of an independent tribunal under Lord McCarthy, the industrial relations expert.

British Rail said yesterday that it reserved the right to reopen discussions on some aspects of the scheme before next April if economic factors changed.

It also stressed that the freight safety net was not, in its view, satisfactory and there would certainly be a renegotiation of the scheme for next year.

In a separate issue, the joint management union working party into ways of assessing and improving drivers' productivity will meet for the first time next week.

Joint Council proposed for building industry

BY NICK GARNETT, LABOUR STAFF

A BIG CHANGE in the building industry's negotiating structure is being proposed by one of the principal employers' federations and the industry's second largest union.

The proposal appears to reflect both disagreement among employers and the *rivalry that* has existed between the Transport and General Workers Union and the Union of Construction, Allied Trades and Technicians.

The *Federation of Master* Builders, which is not directly represented on the *National* Joint Council for the Building Industry—which fixes the industry's wages and conditions—is proposing the formation of a building and allied trades joint industrial council.

This *would settle terms* and conditions for the estimated 250,000 people employed by the 20,000 companies affiliated to the master builders' federation. At present pay is fixed by unions and the Federation of *Building Trades Employers* on the industry's national joint council.

The move comes after a rejection by the Federation of Building Trades Employers of a claim from the master builders that they should be represented on *the existing national joint coun*cil. The proposal to change the negotiating structure is being supported by the Transport Workers, the second largest union to UCATT in building.

Dual oil price plea to Varley

BY SUE CAMERON, CHEMICALS CORRESPONDENT

CHEMICALS TRADES unions have written asking Mr. Eric Varley, Industry Secretary, for a two-tier price structure for North Sea oil and gas.

They say that it would encourage chemical companies to invest in the UK, because it would cut their feedstock costs.

Mr. Roger Lyons, national chemicals officer of the Association of Scientific, Technical and Managerial Staffs, who wrote on behalf of all chemical unions, said yesterday that a *two-tier price system would* make the British chemical industry far more competitive internationally.

The UK industry was in danger of being "*swamped*" by East European states and by members of the Organisation of Petroleum Exporting Countries, which were all *rapidly developing downstream* chemical production.

The OPEC countries would have the advantage of cheap oil and gas-based chemical feedstocks, while East Europe was benefiting from buy-back *deals with the West*.

It was vital to take steps to build up the UK's chemical industry before foreign competitors grew stronger.

North Sea oil and gas provided a "once and for all opportunity" to engage greater investment in UK chemicals. *New plants would* help to ease unemployment by providing short-term jobs for construction workers.

Mr. Lyons said that he had emphasised in his letter to Mr. Varley the employment benefits of increasing investment in UK chemicals.

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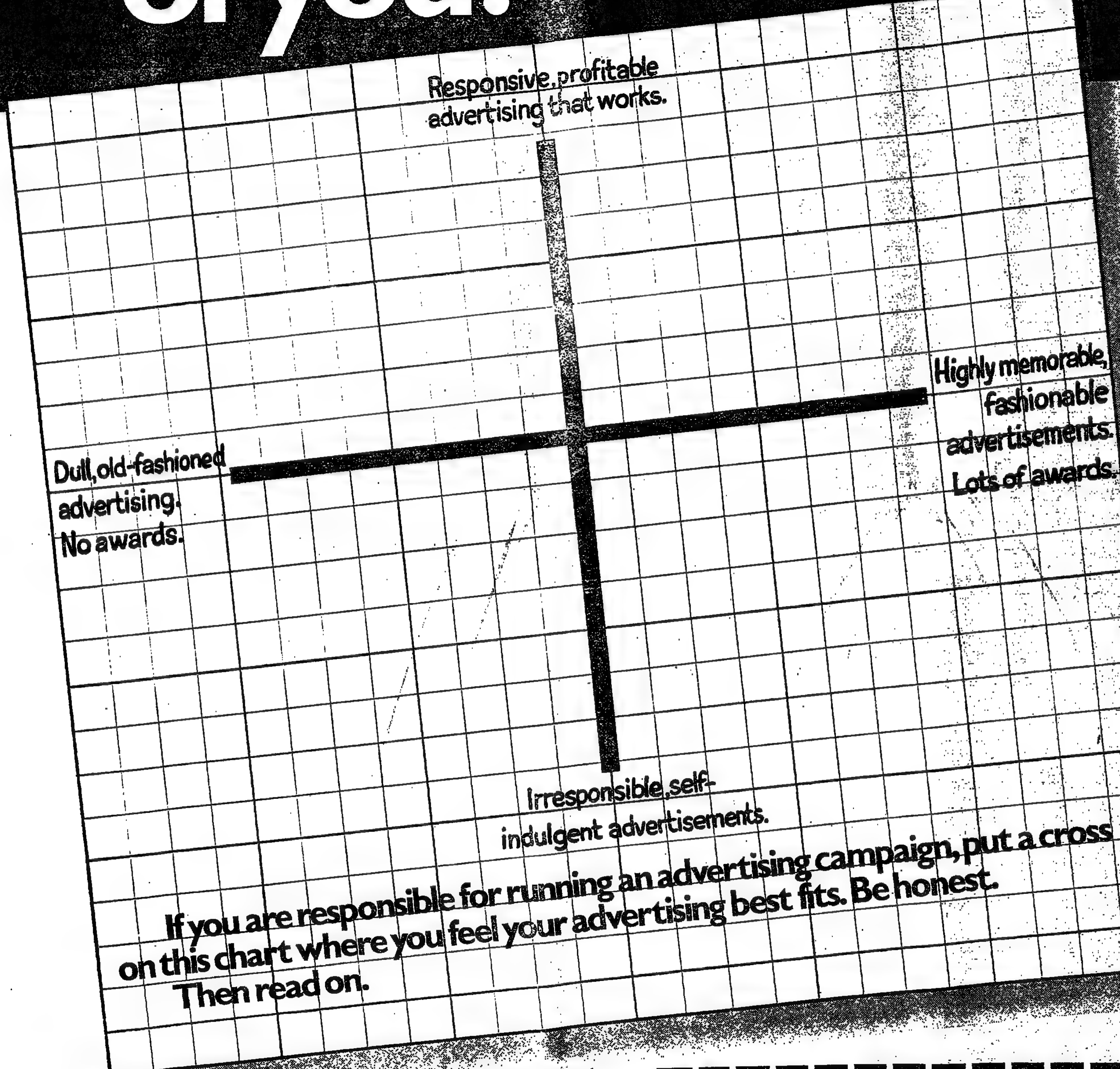
Is your advertising agency ashamed of you?



If your cross lies to the left of the vertical line, the chances are that your agency is ashamed of you. If your cross lies anywhere below the *horizontal* line, you should be ashamed of your agency.

Because the curious truth is that many clients — and agencies — appear to judge the effectiveness of advertising purely on our horizontal scale — the more awards, the more "memorable" the advertising, the better it is.* This is, of course, nonsense. But very potent nonsense.

At JWT, we believe that the only proper question to ask of advertising is "Did it work?" If it did, it was — in the proper sense — *creative*. It created a desire in the mind of the market. It was money not *spent*, but well invested.

Money that helped to enhance both the reputation of the client's company and the profit to his shareholders. Not money spent to enlarge the client's ego or the salaries of the agency's creative department.

One of the biggest mistakes in the business is to believe the truism "Good advertising speaks for itself". It doesn't. Somebody has to say: "This was the problem, this was the budget, this was the competition, this is what the market thought, this is what they wanted to hear, this is how we thought of saying it, this is how we changed and improved it, this was the finished result — and this is what happened."

And we do just that, every day of our lives. Our aim is to see that all the advertising we do for our clients sits squarely in the top right-hand quarter of our chart. As near to the top of the vertical scale as possible — and as near to the right of the horizontal scale as is practical. But in that order.

If that makes sense to you, and if you put your cross anywhere but in the top right-hand quarter of our chart, fill in the coupon.

JWT have more information than anyone else about how advertising works — both in the short and the long term. Yes, we enjoy winning prizes. As long as you're winning profits first.

*SOURCE. Research by Davis Ives Associates Ltd. 1978.

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This is where I put my cross. I understand you are publishing a number of case histories in booklet form showing how you have helped to put brands firmly into the top right-hand part of your chart. I'd like a copy, please.

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Position in company ____________________

JWT

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The Marketing Scene

Why marketeers don't fool children

BY MICHAEL THOMPSON-NOEL

ADVERTISING TO CHILDREN is a subject of controversy on both sides of the Atlantic, though at present the debate seems to be generating more hot air than common sense. Of more immediate relevance to marketeers in Britain is the forecast that the child population in the five-to-14 age bracket is expected to fall from 9,818,000 last year to around 7.4m by 1991, before rising to 7.6m in 2011. Forecasting future birth rates is a difficult and thankless task, but in a market as big as the children's market, even small percentage losses or additions make their impact felt.

According to a new survey by Mintel, the average weekly spending power of the five-to-14 year olds last year was 85p, which doesn't sound a lot until you realise that the total amount of spending money available to children last year was as high as £400m.

There are few surprises in the list of things the money was spent on, notably sweets, crisps, comics, ice cream and soft drinks, though Mintel is a little surprised by the research finding that savings figures well up the list.

According to the research company, "One thing that marketing people would do well to keep in mind is that children are very price conscious. Nowadays adults are often hardly aware of price increases of a penny or two, but such rises may have profound effects on children's products. This is because children have quite small sums of money at their disposal and therefore value every penny."

Mintel takes a close-up look at spending by the under-15s in confectionery and crisps and savoury snacks, estimating that children account for about 10 per cent of all spending on confectionery, or approximately £130m a year.

This enomous figure is the same amount as the entire nation spends on breakfast cereals, soup or canned fruit in a year, says Mintel. It is also four times the value of the UK market for pocket calculators.

Crisps and savoury snacks is another market where children are important not only as consumers but as buyers. Some 40 per cent of children buy crisps each week, while for snacks of the Horror Bag type the figure is around 20 per cent. Even in terms of purchasing, children account for around 40 per cent of sales of snacks—say £25m to £30m—and 20 per cent of sales of crisps—say a further £40m.

Says Mintel: "Increasing sophistication among children may lead to shifts in the sort of presents they receive, such as radios where once they wanted toys. But as far as their own spending is concerned the main demand is concentrated on things to eat and drink. Success often goes to those companies that keep up a feeling of excitement and novelty through rapidly changing products and promotions."

The main problem facing companies making children's products is one they can do little about—and the expected fall in the birth rate. Increased affluence could lead to more money per child, but for now it looks as though those markets that primarily depend on spending by children face an uncertain future.

Is anyone listening out there?

BY WINSTON FLETCHER

"MARKETING MUST sell marketing." This was the evangelical gospel to which the Marketing Society dedicated itself at its annual conference last week. The cry was rousingly echoed throughout the day, from the soul-stirring slide presentation which opened the proceedings with the punny clarion call: "Wake Up Britain" to the manic finale which ended "Sell, Sell, Sell". . .

Following faithfully in the Advertising Association's missionary footsteps, nine of the pulpit speakers invoked the 630-strong congregation to promote the cause of marketing with all the powers at their disposal. The tenth speaker, unfortunately, showed less devotion for the Society's crusade, the dissident voice being that of Roy Hattersley.

That Mr. Hattersley's speech, most of which was temperate and cogent, was received by the delegates with inhospitable hostility, was largely due to its having been ingeniously undermined by Ms. Ariana Stassinopoulos, who immediately preceded the Secretary of State for Prices and Consumer Protection on the podium.

Ms. S., journalist and author of The Female Woman, signed copies of which were being sold by her sister in the conference lobby, is a passionate proponent of free enterprise. She is also a demagogic orator and formidable debater. Accurately predicting the tone of the Secretary of State's address, she threateningly warned the audience to reject the contention that Government intervention had always existed and was in no way new. "So have crime and disease," she declaimed—but longevity was no proof of laudability.

Warming to her theme, which it is only fair to say was sometimes less than lucidly logical, Ms. S. cheerfully suggested that politicians be sued under the Trades Descriptions Act for so often making misleading promises, and damned them for being interested only in power, power, and power.

Boisterous, knockabout entertainment received (in the time honoured theatrical phrase) with tumultuous applause. It was a hard act for Mr. Hattersley, who entered the conference just as the applause for Ms. S. was petering away, to follow.

He began by constructing an intricately argued case for government intervention in the economy. Quoting fashionably from Adam Smith—every socialist's chic capitalist economist—he uncontentiously pointed out that pure, unfettered laissez faire had never and could never work. It is the role, indeed the duty of government, he claimed, to create an economic and legal framework within which industrial competition could thrive, so long as that competition was "in the national interest." (There's the rub, of course.) Mr. Hattersley and Ms. S., to mention but a few, are unlikely to agree where the interests of the nation lie; and both are equally determined that they know best.

Mr. Hattersley also advanced the case, which seems irrefutable yet is rarely heard, that certain industries function efficiently as monopolies while others need to be in a state of continuous competition. Water and gas supplies or sewerage hardly lend themselves to competition: whereas nobody in their right mind can believe that the whole of retailing should be controlled by a single owner, state or private.

The dilemma lies in knowing where to draw the line: which industries work best as monolithic units, which need the tooth and claw of competition? Having asked if not answered these questions, the Secretary of State proceeded to rush headlong onto shakier ground with a dubious Galbraithian analysis of the crucial necessity for more consumer protection (and then still more consumer protection).

Prof. Galbraith's moth-eaten hypothesis states that during the past hundred years power has passed from customer to corporation, and that this has constrained consumers' freedom of choice. Like so many economists' abstractions, it is at variance with reality. It is astonishing that anybody can seriously believe Victorian housewives to have had more variety of selection, more product knowledge, or more freedom of choice than their modern-day counterparts. Yet ever since the ex-U.S. Ambassador to India prepounded the thesis in The Affluent Society two decades ago, it has been dogmatically espoused by consumerists and interventionists everywhere.

It was Mr. Hattersley's peroration, together presumably with Ms. Stassinopoulos's anarchic distaste for government of any kind, which prompted Allen Sheppard, chief executive of Watney Mann and Truman, to complain bitterly during the post-speech panel discussion that the politico-economic argy-bargy to which the conference was being subjected had not advanced much since the days when he was an undergraduate. (Exactly how long ago that was he neglected to say) Could not both sides in the interminable duel between free enterprise and government intervention, he begged, avoid getting set in the aspic of stale orthodoxies?

This topic was later developed impressively by Michael Heseltine. Do politicians really know —have they even an inkling— what is going on out here in the world of industry and commerce, where the majority of the adult population spends the majority of its waking hours, he asked. This is, he said, the single question he is most frequently asked by businessman and constituents alike.

Mr. Heseltine contended that the facts were not in dispute. It was the smoky, subjective spectacles through which politicians view the facts that blur their perceptions of reality. Socialists look at our present economic disarray and perceive it to be the result of two centuries of capitalist ineptitude and inadequacy: Tories look at the same disarray and perceive it to have been caused by even greater governmental meddling and muddling.

Hence Socialists inevitably — given their premises — seek more and more power to correct the maladroit inefficiency (as they see it) of unrestrained free enterprise. (This was indeed the credo which Roy Hattersley had earlier advanced). The impasse, Mr. Heseltine asserted, is that in the detailed management of the economy, governments are even less likely than market forces to get things right. The quintessence of the market system is its propensity to correct its own mistakes quite quickly: governments, on the other hand, find the admission of error painful and humiliating, and evitably tend to compound them.

Compared with the semi-professional trio of Hattersley, Heseltine and Stassinopoulos (surely they should found an advertising agency?), the businessmen's conference speeches sounded sound if pedestrian. Sir Adrian Cadbury and James Gulliver in turn argued the virtues of marketing and entrepreneurial innovation with irrefutable logic, and Mr. Sheppard, Ian MacLaurin of Tesco and Keith Prickett of Ford all demonstrated the exceptional skills which their very different companies bring to the exceedingly complex problems of industrial growth and development, problems which economists like Professor Galbraith and politicians of all hues grossly simplify and misunderstand.

The difference between Mr. Hattersley and Mr. Heseltine in this respect is that the latter, a businessman himself, at least knows the limits of his knowledge, whereas the Secretary of State admitted that he sees the Government and its agencies as surrogate management consultants—a vainglorious role for which they patently lack qualifications.

It was a lively, spirited conference, and far better than most. Yet unhappily, as Allen Sheppard implied, the leading pulpiteers were only there to propagate their own prejudices, certainly not to confer. With exquisite symbolism, the politicians' split-second arrivals and departures ensured that Mr. Heseltine did not hear Mr. Hattersley, Mr. Hattersley did not hear Mr. Heseltine, and neither of them heard even one of the other speakers. Marketing must indeed sell marketing—but how can it when nobody will listen?

Winston Fletcher is managing director of Fletcher Shelton Delaney and Reynolds

McCann: finger lickin' good

BY MICHAEL THOMPSON-NOEL

INTERPUBLIC, the benign Hydra of international advertising certainly gains on the roundabouts what it loses on the swings. In Britain, Kentucky Fried Chicken (GB) has just switched its advertising account out of one Interpublic agency, Wasey Campbell-Ewald, and into another, McCann Erickson, even though it saw full creative presentations by three non-Interpublic agencies: Saatchi and Saatchi, OBM and Masius.

"In the end it came down to detail," says Kentucky marketing director Chris Lane. "McCann had thought our business through in great depth and came up with impressive proposals for both our long- and short-term advertising activities."

The appointment has immediate effect. Kentucky Fried Chicken plans a major campaign to relaunch its finger-lickin' image. Says Lane: "Between now and the end of April, 1980, we shall have spent over £1.25m, mainly on TV suported by radio and posters. We are developing stores all over Britain (there are 270 at present) and these will be promoted to the public in the most dynamic advertising campaign ever to hit the fast foods business."

Total global billings for Interpublic, which recently added Lintas to the fold, are expected to amount this year to no less than $1.75bn, around $1.1bn of which will be handled by the McCann side.

● D'ARCY-MACMANUS and Masius has bought all shares in Ergon Advertising, one of the largest independent Greek agencies. This brings the number of Masius offices around the world to 31. Total Masius billings worldwide this year will total $840m.

● FOOTE CONE and Belding Communications Inc. reports record billings for both the third quarter ($28.7m) and the first nine months of 1978 ($79.5m—a gain of 37 per cent). FCB is in the process of acquiring a substantial minority interest in Tempo Advertising in Sao Paulo, which will take its offices to 29 in 15 countries.

● THE INDUSTRIAL and Commercial Finance Corporation is making a loan of £285,000 to the Graham Poulter Group of Leeds, one of Britain's largest provincial agencies. Most of the money will be used to redevelop the company's head office.

● BROOKE BOND OXO is spending more than £600,000 on the launch of New Chicken Oxo via JWT. Chicken Oxo already is a £2.5m brand.

● C. & T. Harris (Calne), a subsidiary of FMC, has appointed Vernons to handle its £500,000 above and below-the-line budget. The company is the largest distributor of British bacon in the UK.

● JOHN ALBERT, a director of Charles Barker Lyons, is leaving to set up his own public relations consultancy specialising in advising companies on European affairs and the workings of the EEC.

From Maidenform to Marlboro

"100 Great Advertisements," a collection of some of the most notable print ads of the past 30 years, is published today. The contributors include David Abbott, David Bernstein, *Norman Berry, Jeremy Bullmore, Ronnie Kirkwood and* John Salmon. BARRY DAY, the book's editor, explains why "100 Great Advertisements" provides a more personal social commentary on the past three decades than most history books could offer.

IT HAS always occurred to me that when the UFO lands after Armageddon and they try to reconstruct the way we were from such fragments as are left, they will make the most sense not of the political platitudes specially sealed for posterity's consumption but from an old Coke bottle, a torn page of classified advertising, a peeling poster.

As Marshall McLuhan more elegantly puts it: "Historians and archaeologists will one day discover that the ads of our time are the richest and most faithful daily reflections any society ever made of its whole range of activities." Faithful because they reveal our most real and pressing preoccupations, often incidentally.

There are, I believe, two main reasons for this, both of them severely practical.

The first is that advertising, unlike any other form of communication, is motivated by the commercial imperative, which is every bit as strong as its territorial equivalent. An ad has to work or the advertiser is out of business. At the same time he's restricted by size, space, time and the frequency with which he can afford to communicate. Unless his money is to be wasted, he simply has to understand the communication process and come to terms with the art of the possible.

Along the way comes the realisation that the message had better be personal to the intended recipient and that his or her life is made up of an aggregation of little things on which he is looking for company and reassurance, a good reason why the cosmic cosmetic of so many corporate, men-helping-man statements are heard only in the boardrooms that gave them birth.

Critics of advertising who complain that it deals in trivia, therefore, miss the point. It deals with what matters to the people it talks to. Anyone who works in advertising learns that, usually the hard way and usually without piecing it together. But just occasionally you come across a point of focus.

One of them occurred for me many years ago when I first came across Julian Lewis Watkins' The 100 Greatest Advertisements. There, between one set of covers, were all the classic Press ads I'd ever heard of—all of them American, most of them turn of the century. There was self-improvement ("They Laughed When I Sat Down At The Piano But When I Started to Play!—"), next to social consciousness ("The Penalty of Leadership"), self-consciousness ("Within the Curve of a Woman's Arm") next to self-interest ("Look at All Three!").

Everything we think we have thought of since was there. Only time, technology and new found sophistication have changed the expression of the basic techniques. All our hopes and fears were accurately reflected with the difference that a few possible solutions were also on offer.

Fade to some 25 years later . . . well into the Electronic Era, and it occurred to me to wonder what another retrospective look might reveal. What, for instance, had happened to print advertising in the age of TV? Did the fundamentals still apply?

"100 Great Advertisements" starts in 1950 (where Watkins leaves off) and proves McLuhan's thesis totally. As a selection of primarily English and American press ads, each chosen on individual merit, it adds up to an instinctive social commentary as well as tracing the evolution of the techniques of communication over the past quarter century.

There is the emergence of the "liberated" woman. Remember the days when she was worried in case we knew she dyed her hair or used a home perm ("Which twin has the Toni?"). Or the Freudian frisson of dreaming she was appearing half-clothed in public in her Maidenform bra?

There is the spectacle of a symbol like the Marlboro cowboy riding successfully around the world and into countries that have never laid eyes on a cowboy, except through the Hollywood movie — an example of media cross-fertilisation that is by no means unique, providing the symbol is genuinely potent.

There is also the effect of television on the form of the print advertisement. The TV effect, among other things, has been to create various kinds of information shorthand. The visually literate audience "reads" an image faster, expects to see it closer, and likes to make its own connections. By way of instinctive response, the Press ad. has largely abandoned its tidy proscenium arch, pushed its camera right into the experience it is trying to convey, and cut away much of its traditional explanatory text.

And as the 25 years have accelerated along, we have seen certain basic truths emerge or, in some cases, re-emerge. There is the increased importance of the brand "property"—the consistency of an advertiser's message and/or style that gives the customer one small thing—be it Guinness, Volkswagen, or Campbell's Soup—to hang on to in a changing, anxious world.

And there is the more recent realisation, in face of the flood of legislation, that logic can cause more problems than it may solve and that, in any case, the essence of many well-known products is more emotional than rational. How the extreme surrealism of, say, Benson and Hedges or Charles Jourdan will work over time remains to be seen, but the intent is interesting.

For the truth is that there is little that is new in advertising. What is new and endlessly interesting are the applications and permutations. And when you put together the more visible manifestations of a quarter century that's been anything but dull, you can see in a way more personal than most history books can show just who you were and where you come from. And a little bit about why.

Barry Day is vice-chairman and executive creative director of McCann and Company.

"100 Great Advertisements" is published by Times Newspapers, Mirror Group Newspapers and Campaign: £15.00.

LOMBARD

The luck of the Irish

BY ANTHONY HARRIS

WHILE THERE is no gloating, and indeed a certain amount of anger in Dublin on account of the Summit, not everyone is altogether unhappy with the outcome. The Irish investment institutions, of necessity, acted as bookies to the punters who wanted to bet on the punt last week. They sold the Irish stocks which British investors bought, and piled up what is in Dublin terms an astronomical pool of liquidity, in excess of £100m. Now they are happily buying their stocks back at a discount.

Euphoria

They seem to have been rather more clear-sighted than investors on this side of the water for a number of reasons. First, they never shared the euphoria of Mr. Lynch about the good intentions of Bonn and Paris.

"Why on earth should they pay us £650m a year to join their club?" as one of them said to me yesterday. "We're nice enough fellows, but we're not as important as that." Mr. Lynch, they suspect, thought he might get a bilateral subsidy from the Germans; but that is not the game as played according to the European rules. It was a Community subsidy which was under discussion, and the financially sophisticated did not expect it; a bilateral deal would not only have looked odd, but would have come up against the dead body factor — the dead body of Dr. Otmar Emminger, who like his predecessors at the Bundesbank is firmly opposed to mixing sentiment with monetary business.

However, even supposing the impossible, and granting a subsidy, would that really have been a bull signal for the Dublin market? Not for more than a few days, the more hard-headed think. The subsidy might have eliminated what would otherwise be a crippling balance of payments problem, but it would not of itself get the Irish rate of inflation down from British to German levels overnight. Despite the apparent reasonableness of Irish trade unions, who have said that if they could be sure that the punt was as good as the D-mark, they would accept a German scale of pay increases, most Dubliners suppose that a pretty nasty squeeze would also have been involved.

The real trouble as they have been realising, is that being a fully disciplined member of a rich club is not necessarily more attractive than being a highly privileged member of a poorer one. The privileges which Ireland enjoys under the Sterling rules are undeclared. It is true, but they are rather striking.

What Irish experience really shows is that the British situation itself would not be too bad if it were not for two familiar constraints—the balance of payments and the limitations on Government borrowing. The punt-sterling link enables the Dublin authorities to play according to these more relaxed rules. A current account deficit which would be regarded as a major catastrophe anywhere else, and the PSBR amounting to one-eighth of GNP, give or take a bit from year to year, cause no trouble at all when you have open access to the capital market of a much larger country using the same currency.

The purely monetary discipline—exchange rate, potential foreign competition, and interest rates—are the same as for the UK, but the corresponding fiscal disciplines hardly apply at all.

The behaviour of this small undisciplined corner of the financial UK does cause a certain amount of tut-tutting in the Treasury and the Bank of England, but no parading of dead bodies. First, the Irish republic is still pretty small; their indulgence has to be offset by a little extra austerity here, but not enough to matter. Second, we in England have a bad conscience about Ireland, and would hate to have a row with them. Third, their prosperity is welcome to us in a number of ways—as exporters and investors, and above all for the unspoken hope that Southern prosperity may one day be high enough to look quite tempting from the Ulster side of the border.

Depopulation

Finally, there is an unspoken question which economists might have some fun resolving. In the early stages of the EMS wrangle, a German minister turned to the Irish representative and said "Perhaps you, with your experience, can tell us of the long-term effects of a zone of complete exchange rate stability?" "We can" said the Irishman. "On a long view, it it negative growth, depopulation, and agricultural decay." It is only since British policy became strongly inflationary that the Irish have enjoyed such signal benefits from the association, perhaps because it was only in an inflationary environment that they learned what they could get away with. The demand for a £650m subsidy can be read as an Irish valuation of the privileges they enjoy under the present Sterling arrangements—a slightly costly compliment to ourselves. The unresolved and fascinating question is whether the Sterling club will look so attractive if we do get inflation down to German levels on our own.

Worker directors attacked

IS AN industrial enterprise identical with the company that owns it? Or is it rather an organism in which the company of shareholders combines with the workforce on which the operation of the plant or the use of capital depends, and which has an interest in it at least equal to that of the shareholders?

These basic questions, which also underly much of the discussion concerning the reform of company law in the UK, were the real, though well concealed issue in the hearings which occupied the German Federal Constitutional Court for four days of last week. The judgment expected in three months will decide the fate of the revised German industrial democracy law—the Mitbestimmungsgesetz of May 4, 1976.

This act considerably increased the influence of employees and trade unions on the running of large German enterprises. It raised the proportion of their representatives on the supervisory Board — which appoints and sacks members of the management Board—from one third to one half. An inadequately defined post of labour director is created on the management boards. The Act applies to the top 650 companies according to various criteria. These companies will form only a small fraction of the 1.9m enterprises existing in Germany, but have a decisive influence on the economy. They include all the engineering and chemical works as well as banks and insurance companies that really matter.

The public discussion, at times very heated, which preceded the passing of this act lasted some 25 years. The prehistory of the issue goes even further back. The German trade unions formulated a programme of industrial democracy in the 1920s before Hitler's ascent to power. Their slogan then was "through economic democracy towards socialism." The recipe for the present law is all contained in a book then published by Fritz Naphtali under the title Economic Democracy, of which a new edition appeared in 1966 with a preface provided by the two top German trade union leaders of that time.

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

The passing of the Act by the German parliament in 1976 did not cause the German employers to acknowledge defeat in a contest that had lasted over half a century. They asked the Constitutional Court to declare that the Act was unconstitutional and void in those parts which, as they say, infringe the freedoms guaranteed in the German Fundamental Law. The constitutional complaint has been made by no less than 29 federations of industry and separately by nine of the largest German enterprises. It is backed by the German Association for the Protection of Shareholders and supported by a weighty product of German professorship, the so-called Cologne Report. The complaint was presented to the full bench of the Federal Constitutional Court by Herr Otto Esser, chairman of the German Confederation of Industry, and by the joint attorney of the plaintiffs, Dr. Herman Maassen, previously Secretary of State under a Social Democratic Minister of Justice.

The team defending the act was even more formidable. It consisted of three cabinet ministers, Dr. T. H. Raiser, representing the Federal Parliament, and Herr Heinz Oskar Vetter, the chairman of the Federation of German Trade Unions.

The dispute concerns in the first place the interpretation of the act. The employers deny that the casting vote given the chairman of the supervisory board—who is chosen by the shareholders' representatives—will secure a dominant position for the representatives of the shareholders. They argue that it can be used only in exceptional circumstances and can be altogether eliminated should an important divisive issue arise in the absence of the chairman, or when not all of the shareholders' representatives are present. The Government and trade unions deny that this is a correct appreciation of the position and that the shareholders remain dominant.

The employers, however, feel that the Act robs them of four important freedoms guaranteed by the German Fundamental Law: to dispose freely over their property; to associate freely without the participation of those who have opposing interests; to choose their occupation freely, and to conduct their business freely.

The Constitutional Court is unlikely to be impressed by the argument that interfering with these freedoms will ultimately transform the German market economy into a socialist economy. It went on record in a judgment of July 20, 1954, that "the fundamental rights do not protect a particular economic system, but instead the dignity, freedom and equality of man."

But the employers have some reason to hope that the court will show some understanding for their complaint that the representation of trade unions on the supervisory board together with the labour director on the management board (a post which trade unions aspire to fill with their nominee) will destroy the balance and fairness of wage bargaining. This issue attracted the greatest attention of the bench during last week's hearings. Dr. Ernst Benda, the court's President, underlined that the potential conflict of interests and of loyalties for trade union representatives on the supervisory board is a very important and so far uncharted area of law.

Dr. Benda, President of the Constitutional Court: into uncharted areas.

Chokwaro well prepared for another Ayr victory

RACING

BY DOMINIC WIGAN

JONJO O'NEILL, by far the most successful jockey at Ayr in recent seasons with nearly 50 winners to his credit there since the start of the 1973-74 campaign, teams with three likely winners on the Scottish course this afternoon. They are Royal Legend, Eximious and Chokwaro.

For most racegoers, the day's most intriguing outing will be the reappearance of Chokwaro in the Glaisnock Novices' Hurdle.

Chokwaro made all his own running after jumping into the lead at the fifth flight in the Colroy Novices Hurdle at the last Ayr meeting, and drew steadily clear to win by 25 lengths ahead of Wharton Manor.

Although his time of 3 minutes 54 seconds was not startling, Chokwaro won as he pleased and a number of on-the-spot admirers were ready to back him ante-post for Cheltenham's Daily Express Triumph Hurdle.

If, as it appears, he has taken readily to the winter game, Chokwaro should find little difficulty in retaining his unbeaten record while the ground remains good or firm.

I take him to add to his already-formidable reputation with a victory over Dorisimo, who was considered by many to be the most backward member of the field when finishing a remote third in Chokwaro's race.

Royal Legend, O'Neill's mount in the Skeldon Hurdle, from which Coffee Boy and Listercombe are both absentees, made heavy weather of beating Sharpferbeds, when an 11 to 4 on favourite for a three-runner handicap over two miles at Ayr in October.

However, it can be argued that he would have won far more easily had the race allowed his stamina to come into play.

I expect to see a much-improved performance over the additional three-quarters of a mile of today's trip, and take him to add to an already impressive list of victories with a win over Kirwaugh, who bids for his fifth win at Ayr.

Although the New Zealand-bred Eximious is without the benefit of a recent outing, there seems little reason why he should not be good enough to account for the Irish challenger, Zalona's Boy, and The Engineer, in the Marchburn Novices' Chase.

AYR

12.30—Four Pals*
1.00—Welton Lad
1.30—Royal Legend***
2.00—Eximious
2.30—Chokwaro
3.00—Carribeg Prince**

TV Radio

† Indicates programme in black and white

BBC 1

12.45 pm News. 1.00 Pebble Mill. 1.45 Bagpuss. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Yogi Bear. 4.25 Jackanory. 4.40 Emu's Broadcasting Company (EBC 1). 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Tomorrow's World.
7.20 Top of the Pops.
8.00 The Good Life.
8.30 Mastermind.
9.00 News.
9.25 Getting Away With Murder: "Omnibus" presents a film about Claude Chabrol.
11.25 Tonight.
11.05 Most Wanted.
11.55 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—5.55-6.20 pm Wales Today. 6.55-7.20 Heddiw. 11.55 News and Weather for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 10.25-11.05 Thursday Night. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.25 Most Wanted. 11.15 The Fall and Rise of Reginald Perrin. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 am Play School.
5.10 pm Open University.
5.35 News on 2 Headlines.
6.35 When The Boat Comes In.
7.45 Mid-evening News.
7.50 Newsweek.
†8.30 Midweek Cinema: "Kind Hearts And Coronets," starring Dennis Price, Valerie Hobson, Joan Greenwood and Alec Guinness.
10.15 Accident.
11.05 Late News.
11.20 Open Door.
11.50 Closedown talk.

LONDON

9.31 am Schools Programmes. 10.45 Sinbad Junior cartoons. 11.00 The Mackenzie Affair. 11.55 Felix the Cat. 12.00 Topper's Tales. 12.10 pm Daisy, Daisy. 12.30 Toycraft. 1.00 News, plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon. 2.25 Fallen Hero. 3.20 Looks Familiar. 3.50 The Sullivans. 4.20 Children's Film Matinee: "Captain Sinbad"
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 The Bionic Woman.
8.00 George and Mildred.
8.30 TV Eye.
9.00 The Sweeney.
10.00 News.
10.30 Thames Report.
11.00 Rafferty.
12.00 What the Papers Say.
12.15 am Close: A painting by Degas, with music by Berlioz.

All IBA Regions as London except at the following times:—

ANGLIA

10.45 am Cartoon. 11.00 Witherspoon. 11.15 Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.25 pm Anglia News. 2.00 Women Only. 4.20 Soldierman. 4.45 The Beachcombers. 5.15 Emmerdale Farm. 6.00 About Anglia. 6.20 Arena. 7.00 Bygones. 7.30 Botanic Man. 10.30 Mystery Movie: McCloud. 12.20 am Your Music at Night.

ATV

10.50 am Getting On. 11.25 A Reason for Living. 11.50 Spare the Child. 1.20 pm ATV Newsdesk. 3.50 The ATV Thursday Picture Show. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 Botanic Man. 10.30 Police Woman. 11.30 Movie Premiere: "Lisa Bright and Dark"

BORDER

10.45 am Stop, Look, Listen. 11.00 Witherspoon. 11.15 Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Old Sweet Sugar Doughnut. 1.20 pm Border News. 4.20 The Little House on the Prairie. 5.15 Laverne and Shirley. 6.00 Lookaround Thursday. 7.00 Emmerdale Farm. 7.30 Botanic Man. 10.30 Border Journey. 11.00 Chopper Squad. 11.55 Border News Summary.

CHANNEL

1.00 pm The Deputies—Hustings. 1.18 Channel Lunchtime News and What's On Where. 4.20 The Little House on the Prairie. 5.15 Cartoontime. 5.20 Soldierman. 6.00 Channel News. 6.10 Lassie. 10.28 Channel Late News. 10.32 Music for Advent. 11.30 Movie Premiere: "The Dead Don't Die." 12.20 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 11.00 Witherspoon. 11.15 Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Grampian News Headlines. 4.20 The Little House on the Prairie. 5.15 The Bob Newhart Show. 6.00 Grampian Today. 7.00 The Bionic Woman. 10.30 Police Newsroom. 10.35 Sportscall. 11.15 Reflections. 11.20 Grampian Late Night Headlines. 11.25 The Practice.

GRANADA

11.05 am Movin' On. 11.45 A Handful of Songs. 1.20 pm This Is Your Right. 4.20 The Life and Times of Grizzly Adams. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 The Six Million Dollar Man. 10.30 What's On. 11.00 What The Papers Say. 11.20 Barnaby Jones.

HTV

11.15 am Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Report West Headlines. 2.00 Women Only. 4.20 The Little House on the Prairie. 5.15 pm Jobline Newsdesk. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 The Farmer's Wife. 7.00 Six Million Dollar Man. 10.35 De Dennis at the Embankment. 11.05 The Thursday Film: "All Coppers Are ..."

HTV CYMRU/WALES—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20 Seren Wib. 4.45-5.15 Ramen. 5.15-5.20 Jobline—Wales. 6.00-6.15 Y Dydd. 6.30-7.00 Sports Arena. 11.05 Spinners Under Sail. 12.05-12.35 am Mind Your Language.

HTV WEST—As HTV General Service except: 11.30-11.15 am Witherspoon. 1.20-1.30 pm Report West Headlines. 6.15-6.30 Sport West.

SCOTTISH

11.05 am Witherspoon. 11.15 Percy Thrower's Garden of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.25 pm News and Road and Weather. 2.00 Women Only. 4.20 Tarzan. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Garnock Way. 7.00 Botanic Man. 7.30 Welcome to the Ceilidh. 10.30 From the Top. 11.00 Late Call. 11.05 Emergency. 12.05 Love American Style.

SOUTHERN

11.00 am Witherspoon. 11.15 Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Southern News. 2.00 Women Only. 4.22 Lassie. 4.45 Beachcombers. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 6.30 University Challenge. 7.00 Emmerdale Farm. 7.30 Botanic Man. 10.30 Southern News Extra. 10.35 People Rule. 11.05 Barnaby Jones. 12.05 am What The Papers Say.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 11.00 Witherspoon. 11.15 Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm North East News and Lookaround. 2.00 Women Only. 4.20 Thursday Matinee: "This Was the West That Was." 6.00 Northern Life. 7.00 Emmerdale Farm. 7.30 Botanic Man. 10.30 Northern Scene. 11.00 Pro-Celebrity Snooker. 11.45 The Bob Newhart Show. 12.15 am Epilogue.

ULSTER

11.00 am Witherspoon. 11.15 Great Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Lunchtime. 4.18 Ulster News Headlines. 4.20 The Beachcombers. 4.45 Friends of Man. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.25 Police Six. 6.35 Happy Days. 7.00 Emmerdale Farm. 7.30 Botanic Man. 10.30 Counterpoint. 11.00 The Practice. 11.25 Bedtime.

WESTWARD

10.45 am Cartoontime. 11.00 Witherspoon. 11.15 Percy Thrower's Gardens of the South. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 4.20 The Little House on the Prairie. 5.15 Cartoontime. 5.20 Just the Job. 6.00 Westward Diary. 10.28 Westward Late News. 10.30 Talk of the Town. 11.00 Movie Premiere: "The Dead Don't Die" (TV movie) starring Ray Milland. 12.20 am Faith for Life.

YORKSHIRE

11.10 am Record Makers. 1.20 pm Calendar News. 4.20 Jabberjaw. 4.45 Little House on the Prairie. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 Botanic Man. 10.30 The Love Boat. 11.30 In Concert. 12.00 The Protectors

BBC Radio New Wavelengths

1: 1053kHz 285m, 1089kHz 275m
2: 693kHz 433m, 909kHz 330m & 88-91vhf stereo
3: 1215kHz 247m & 90-92.5vhf stereo
4: 200kHz 1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast
‡ Medium wave

5.00 a.m. As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.30-10.00 As Radio 2. 10.00 John Peel (s). 12.00-Close As Radio 2.

RADIO 2

5.00 News Summary. 5.03 Tony Brandon (s) including 6.15 Pause for Thought. 7.32 Terry Wogan (s) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.03 Jimmy Young (s). 12.15 pm Waggoners' Walk. 12.30 Harry Rowell's Open House (s) including 1.45 Sports Desk. 2.30 David Hamilton (s) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (s) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Country Club (s). 9.02 Folkweave (s). 9.55 Sports Desk. 10.02 Roy Castle. 10.30 Star Sound Extra. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00 am News Summary.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (s). 8.00 News. 8.05 Morning Concert (s). 9.00 News. 9.05 This Week's Composer: Mozart (s). 10.00 Holiday Special (s). 10.20 Mozart piano recital (s). 11.15 Radio Symphony Orchestra, Frankfurt, part 1: Beethoven (s). 11.50 In Short (talk). 12.00 Radio Symphony Orchestra, Frankfurt part 2: Strauss, Sibelius (s). 1.00 News. 1.05 Manchester Midday Concert (s). 2.00 Schubert Two Operas part 1: "Der Spiegelritter" (s). 2.40 Words ... (talk). 2.45 Schubert Two Operas part 2: "Die Freunde von Salamanka" (s). 4.05 Schumann piano recital (s). 4.50 Berlin Philharmonic Cello Ensemble (s). 5.45 Homeward Bound (s). 6.10 News. 6.15 Nel Cor Più sung by Tito Gobbi on record (s). 6.30 Berlioz Requiem (s). 8.00 Brandel and the Primary Vision (Fernand Braudel in conversation). 9.00 Quartetto Italiano (s). 10.00 Sons of the Star: The Story of the Warsaw Ghetto and the Uprising of April 1943 (s). 11.30-11.55 Tonight's Schubert Song including 11.45 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today: Magazine, including 6.45 Prayer for the Day. 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines: and 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week with Desmond Wilcox. 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 Faces of Eve: The story of Chris Costner Sizemore's multiple personality. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 The Peter Hudson Show (s). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.10 Questions to the Prime Minister. 3.35 Afternoon Theatre (s). 4.35 Story Time. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Top of the Form. 7.00 News. 7.05 The Archers. 7.20 Time for Verse. 7.30 Kaleidoscope. 8.00 A Russian Concert part 1: Borodin, Prokofiev (s). 8.40 A Talent to Amuse: J. W. Lambert with the BBC Sound Archives. 9.00 A Russian Concert part 2: Tchaikovsky (s). 9.59 Weather. 10.00 The World Tonight. 10.30 Any Answers? 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Soul 78. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05 As Radio 2.

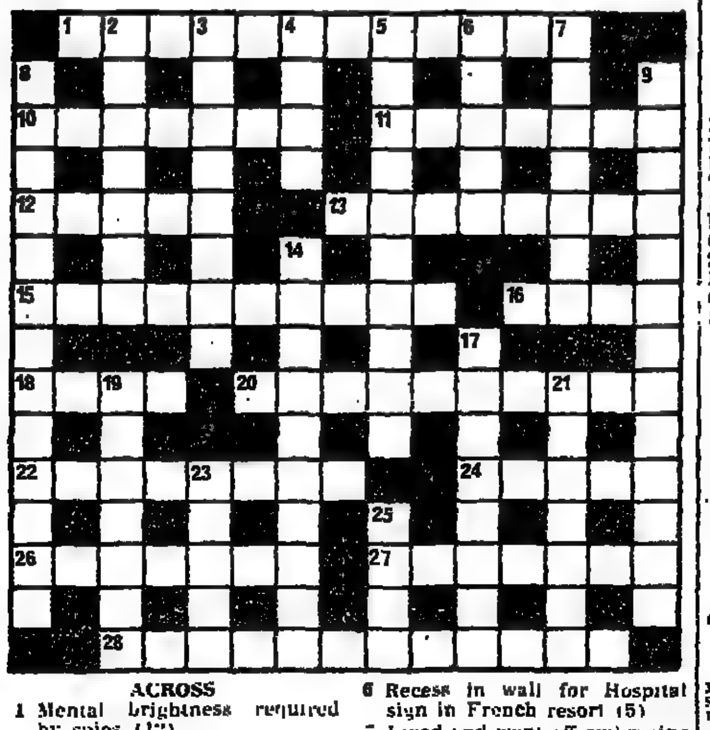
London Broadcasting

5.00 am Morning Music. 6.00 AM: non-stop news, information, travel. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 Graham Dene's Breakfast Show (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 Lord George-Brown's Capital Commentary (s). 7.10 London Today (s). 7.30 Adrian Love's Open Line (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (s). 11.00 Tony Myatt's Late Show (s). 2.00 am Duncan Johnson's Night Flight (s).

F.T. CROSSWORD PUZZLE No. 3,842



ACROSS

1 Mental brightness required by spies (12)
10 Town district to lodge soldiers (7)
11 Division or number of soldiers detailed (7)
12 Warning in the manner of the Marines (5)
13 Rearranged last deep base (8)
15 Praise former old German article and turn it on (10)
16 Thought coming from wide areas (4)
18 Live to return that which is wrong (4)
20 Fish with fair lady it's said but it's a warning to pupils (6-4)
22 Refined woman with girl and insect (8)
24 No sir, it's wrong, but goes to bow (5)
26 Catch cod going round head of river, but it's an error in court (3-4)
27 Operation portrayed by Officer Commanding amidst journalists (7)
28 I sing real mod but it could be unnerving (12)

DOWN

2 Falls badly again on soldiers (7)
3 I'm at the centre of landed property to judge the worth (8)
4 Bird left old vessel (4)
5 Snail for example, making road pest go wrong (10)
6 Recess in wall for Hospital sign in French resort (5)
7 Lived and went off embracing Pole (7)
8 Bribed London borough to provide fair trading (6, 7)
9 Pawnbroker with short answer about lines creates noisome conditions (13)
14 Australian cowboy with standard added clause (5-5)
17 Is our log incorrect? No, it's splendid! (8)
19 Wrote in French says editor (7)
21 Steep in mixture for sculptor (7)
23 Brush, shrub, either or both (5)
25 Stone from ring father left (4)

Solution to Puzzle No. 3,841

ENTERTAINMENT GUIDE

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ENGLISH NATIONAL OPERA

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THEATRE UPSTAIRS. 730 2554. Evgs. 7.30. Keskidee Workshop Production of MASADA by Edgar White. Last Week.

WAREHOUSE. Donmar Theatre, Covent Garden. Box Office 836 6808. Royal Shakespeare Co.

WEMBLEY ARENA. Opens Dec. 21. HOLIDAY ON ICE

LEGAL NOTICES

Helsinki

The Red Line

by MAX LOPPERT

A second opera by the Finnish composer Aulis Sallinen, *Punainen Viiva* (*The Red Line*), had its first performances at the Finnish National Opera in Helsinki last week. Sallinen's first opera, commissioned for the 1975 Savonlinna Opera Festival, was *The Horseman*. After encountering a performance at the 1977 festival, I described the work in these columns as "an ambitious, at best powerfully expressive work that one guesses capable of communicating its dark northern fascination to a wider audience than only (Savonlinna's)" and considered that its composer displayed "a grasp of musico-dramatic dimensions, and an understanding of their purpose, that promise much."

If there can be detected in these phrases a certain note of *self-protective caution*, I now throw caution to the winds in praising the new opera, which shows the promise of the first fulfilled, more substantially than one dared to expect, and suggests that its creator is a *significant force in opera*—possibly, indeed, one of the few important opera composers alive today. To twist Lady Bracknell into positive statement: to produce one good *opera may be regarded as good* fortune; to produce two looks like an authentic operatic talent.

Sallinen's title has two principal meanings and in their conjunction is summarised the stuff *of the opera — its range, its* aim, and also its tragic power. The red line is the cross on a ballot paper — the action takes place in 1907, a time of historical importance when the first *Finnish election under universal* suffrage was being held. It is also the line of blood that seeps from the throat of the crofter hero, Topi, as he lies dead at the end of the opera, savaged by the marauding bear that has been plundering and menacing his forest homestead. Unlike *The Horseman*, composed on an original libretto, *The Red Line* was drawn (by Sallinen himself) from the classic Finnish novel (1909) of the same name by Ilmari Kianto (1874-1970), prolific novelist, memorist, and poet of the beautiful, treacherous Northern-Finnish landscape in which novel and opera are set.

The two acts of the opera are made up of seven scenes and an epilogue, organised with the compelling, unerring mastery of *form and dramatic timing* that characterises every aspect of its manufacture. The plot follows the wretched fortunes of Topi, his wife Riika, and their three children, as a politically and socially restive outside world begins to impinge on the unrelenting bleakness of their poverty-ridden existence. A pedlar comes by, with tales, riddles, and ballads and with intimations *of discontent stirring* within the Russian empire. At a public meeting—a scene of hypnotic theatricality which brings the first act to a tremendous climax — the agitator, Puntarpää, invokes ideas of liberty, equality, and fraternity, of a people learning to act directly in the shaping of their own lives, to veracious ears.

In the second act, the election takes place, and Topi and Riika come into the village to vote. In the background, dormant but not forgotten, lies the bear—a passionate (and very funny) dis*cussion among neighbours on the* exact meaning of the "red line" is suddenly interrupted by the sound of his stirring (an off-stage horn call that is his sonority and his six-note motif). Disaster strikes. *First* hunger and disease carry off the three children; then at the close Topi leaves for his mortal combat with the bear. In the final blast of offstage horns the animal is now recognised as a symbol, though in no didactic or constricting sense, of the power of nature, against which man stands revealed a poor, bare, forked animal and political freedom a necessary, *noble*, and cruel illusion.

Neither the novel nor the libretto is available in English translation. It is a mark of the innate dramatic power of the opera that the non-Finnish-speaker soon appreciates, even without the immediacy of direct comprehension, the imaginative economy and precision of Sallinen's adaptation. *The Red Line* is that rarest of 20th-century phenomena, an operatic epic, in which are intermingled themes of state and of individual destiny. Like David Blake's very *different* and *rather less* successful grand opera, *Toussaint*, it stirs excitement, involvement, and identification, on several levels simultaneously: as a sweeping, many-faceted drama of political awakening, in which a non-doctrinaire breadth of vision allows events to be viewed from more than one standpoint; as a drama of personal tragedies infused with a rich fund of human sympathy, its characters experienced in the round, not as ciphers or symbols; and, not least important, as an operatic entertainment that grips one by the throat.

Jorma Hynninen

It is an opera that combines national accent with universal significance—the themes display this combination, so too the eloquence and rightness with which the music realises them. In parts of *The Horseman*, particularly in its first act, one could point to musical gestures and devices not wholly absorbed into the bloodstream of the drama, that could be extrapolated as mannerisms. In *The Red Line*, musical idiom and dramatic unfolding are inextricable. It is a northern opera, and a northern idiom: Shostakovich, Prokofiev, and especially Musorgsky have been digested, and the lessons of their manipulation of musical and dramatic tensions learned and mastered, to a point where the composer's own voice now speaks with unique clarity. Expression is wide in range, plastic, marvellously varied. The succession, in the first act, of Riika's solo scena, the pedlar's hauntingly simple strophic ballad, and *a broad tableau for agitator and* chorus animates and fills in a canvas predominantly dark of tone but never unrelievedly gloomy.

I could expatiate for pages on the riches of the score—the muscular, untrammelled lyricism of the vocal lines; the dynamic thrust of the choruses; the almost unnerving acuity of the orchestral writing, in which *silence tells as pointedly as* sound; the strokes of theatre. The sextet, no more than 20 bars long, that follows the call of the stirring bear in the middle of the second act, is only one such stroke, when the scalp prickles and the senses confirm that the composer has understood what opera is all about. Sallinen's musical language will in some quarters be deemed conservative—its tonality is sometimes a diatonicism of simplest means. The impact and the scope of his opera force one to question all over again the *worth of catchpenny titles such* as "conservative" and "advanced." *The Red Line* seems to me to be a work that matters, a major work, of a kind that reduces all such consideration to *the level of irrelevant speculation.*

It has stretched the Finnish company to great achievement. Fierily conductedby Okko Kamu, designed with expert economy and subtlety by Kimmo Kaivanto (particularly admirable in his reservation of strong colour for moments of dramatic revelation), the production by Kalle Holmberg moved forward with an ineluctable force tempered only slightly by a tendency to move characters unnecessarily often about and off the stage, and by some obscure symbolic devices at the final curtain—the opera needs a hard, quick termination, and this, at the public dress rehearsal and first performance, it failed to obtain.

Two casts had been supplied to give alternate performances, each with its own points of excellence. There could be no doubt that Jorma Hynninen, the Topi of the first cast, gave the more powerful performance: the young baritone, already a Hamburg and Scala Pelléas, and a singing actor of incendiary intensity and robust, beautiful tone, is destined for world fame. Equally, it was clear that the agitator (Eero Erkkilä, an alarming blend of mesmer and politician) and pedler (Jaakko Hietikko, a light and lyrical bass) of the second cast told more strongly in their *roles then those of the first*. Both Riikas, Taru Valjakka and Ritva Auvinen, were profoundly moving in their different ways. Happy the company that commands the services of two such sterling sopranos; happy the company with so dramatically alert and committed a chorus. It was, indeed, a company achievement, which in opera is the highest kind, and of which in London our own ENO still gives us occasional glimpses. They are the company to give us one or other of Sallinen's operas; and surely it cannot be long before they do?

Leonard Burt

The Mellstock Choir Band

Vaudeville

Under the Greenwood Tree

by B. A. YOUNG

Patrick Garland's stage adaptation of Hardy's book begins and ends with the Old Hundredth—"All creatures that on earth do dwell, Sing to the Lord with cheerful voice." This is the key to an evening in which most of the actors sing and play musical instruments, and in which major elements of the plot turn on the relative value of strings or harmonium, of staff notation or tonic sol-fa, of clarinets or serpents. (The Mellstock Choir Band finds against clarinets but allows half-witted Thomas Leaf (George Gabriel) to play his with them; finds in favour of serpents but lets Elias Spinks (Terence Conoley) to swop his for a fiddle after one scene.)

The story about the conflict between the happy-go-lucky old choir and the reforming young Parson Maybold becomes a likeable play, and Mr. Garland has made it as authentic as he can, even employing Hardy's Victorian Dorsetshire dialect, which has been so much mocked in rustic *comedies that it is only by much* skill that the players keep it from sounding funny. Occasionally they forget (as Hardy did): when Fancy Day (Susan Crowley) refuses the parson's hand she *breaks into standard English to* match the author's sudden up-class manner.

I found the evening warm and cheerful. The Old Hundredth is by no means the only music we hear: the company breaks into song at the drop of a straw hat, with folk songs, settings by Chris Littlewood of Hardy's verse, and traditional dances. David Bacon as Tranter Reuben and Frank Shelley as his old but vigorous *father set the pace with* music as hearty as their performances, and there is pleasant singing too from Sonia Woolley, who as Mrs. Penny gives a pretty song called "The Swallow," and from Adrian Casey as Billy, the only treble in the choir. The arrangements and the performances never make the mistake of seeming too good, just as the dancing (choreographed by Mr. Littlewood) contains a necessary element of rustic clumsiness.

Romance is in the hand of Miss Crowley as Fancy and Geoffrey Kirkness as young Dick Dewey. *Miss Crowley is lovely* when she is common but less so when the remembers that she *is a schoolmistress, and Mr. Kirk*ness is handsome, which is all he needs to be. Gilbert Wynne has the difficult task of making Maybold decent and sensible, even romantic himself in the right circumstances, and yet unsympathetic.

The scenery by Neville Dewis centres on a big square wooden box that can be turned into a variety of places and things but for me has the look of some science-fiction artifact that has grown among the simple country folk by some alien means. Even a greenwood tree lowered from *the flies could not reconcile me* to it.

V & A Christmas raffle

The Associates of the Victoria and Albert Museum (the V and A's own charity) has launched the first V and A Christmas raffle. *Prizes are original* works of art by leading contemporary artists. All the artists have donated their work for the benefit of the Museum.

The pictures include watercolours, *etchings, aquatints, lithographs*, a collage, a drawing and a screenprint—several of which are valued by Christie's Contemporary Art at £500 and more. Altogether, 11 pictures are to be raffled and are on view in the main entrance of the V and A.

Tickets are available at the main entrance or by post from Nicky Bird at the V and A. The draw is on December 20 with a champagne reception at the V and A and will be made by Dr. Roy Strong from a facsimile of the largest wine cooler in the world made by Charles Kandler, circa 1740.

Arts Council appointments

Lord Donaldson, Minister for the Arts, has announced four new appointments and one re-appointment to the Arts Council of Great Britain.

The new members are Councillor Bernard Atha, Mr. Robin Guthrie, Miss Margharita Laski, and Professor Anthony Quinton. Dr. Richard Hoggart has been re-appointed.

The Other Place, Stratford-upon-Avon

Hippolytus

by MICHAEL COVENEY

Following Euripides quite closely, David Rudkin's "realisation" for the Royal Shakespeare Company is the most speakable English version I have come across. It is a model contribution to the unending debate of how to do Greek tragedy for contemporary *audiences without* shaving the stagey, declamatory properties of the original. And *Hippolytus* is rarely enough seen to warrant revival. Racine's *Phèdre* has somehow erased the play certainly from my memory.

And yet what an enthralling piece it is, curiously timeless in its discussion of private morality in a public context. Between the *conflicting demands of two rival* goddesses — the love totem Aphrodite and Artemis, representing the virtues of outdoor sport as a symptom of virginity — Phaedra and Hippolytus, her step-son, wrestle individually with their inner selves. Nothing I have seen lately is more harrowing or unsettling than Michael Pennington's Hippolytus, coldly abandoned by his Artemis, *facing the fact*, as he lies dying, that all our lives may be frittered away in pursuit of an insubstantial ideal.

Although Phaedra, Hippolytus and Theseus are victims of preordained Fate, Fate itself is shown to be appallingly fickle and Euripides allows the trio sufficient room to manoeuvre within the scheme so that actual choice and human fallibility play an equal part. Theseus (a mighty performance by Patrick Stewart), broken with rage by his wife's suicide note, accuses Hippolytus of acting like Angelo, cloaking treacherous lust in a guise of public and moral righteousness. The Nurse warns Phaedra that life is a practical craft to be learned and studied, not talked of as some mysteriously precious high art.

Ron Daniels' *production*, designed by Ralph Koltai, is a studio classic of controlled, but pulsating, simplicity. The company sit around a stone acting area, in uniform white and bare feet (although Theseus is shod in cricket boots). There are scarves for the King and Queen, a veil for Artemis, red leather straps for the disfigured Hippolytus. Again and again (and not just because I was sitting next to him) one is reminded of Peter Brook's laboratory method at *its best*, exotic use made of percussion to add colour to Euripides' delicate *images of* nature and topography, rendered into beautifully *evocative* paragraphs by Mr. Rudkin.

Natasha Parry is a truly exciting *Phaedra, giving* tremendous animation to the erotic principle that Hippolytus acknowledges but does not admit. Neat thematic unity is supplied by Mr. Rudkin's subtle insistence on the importance of *self-knowledge*. Miss Parry exits with the line "*That self is no self that will not give itself.*" Frustrated and incomplete, she kills herself as much for that sentiment as for the sake of public decorum.

The chorus speeches, heavily cut, are shared among two representatives, and Geoffrey Freshwater brings us to the edge *of our seats* with his account of the "bull-thing" rising from the sea to satisfy Theseus' curse on his banished son.

The play is about essentials. But it is also about flesh and blood, and in that tension between idealism and what actually happens to people, lies the perennial message of one of the very greatest theatre writers.

Natasha Parry

Leonard Burt

Covent Garden

Manon

by CLEMENT CRISP

With *Manon's* return to the Opera House repertory came a performance by Jennifer Penney of its stupid, beguiling heroine that came to enchanting life from the moment that she stepped from the coach. MacMillan's Manon is an innocent opportunist; Penney's Manon is all this, but sympathetic at every moment, and at the very last acquiring a dignity because she has suffered so unjustly—her beauty deserved better things.

As a dance interpretation there was nothing to fault. Penney at her best *seems* truly born to dance, so easy and natural do the rigours of the classic manner become on her body, the long limbs curving *sweetly* through the choreography. The character*isation is child-like in its unthink*ing greed, but warmed by a sensual delight in the toys of this world: Penney's eyes widen as GM presents the cloak to her in the first act; her pose as the neck*lace is placed round her throat is of almost sexual abandon.*

This admirable reading was matched by Wayne Eagling's des Grieux. One could not ask for dancing *of more* exultant dynamics in the first act, nor for a cleaner or more exact delineation of the movement: Eagling riding through a big jump or cutting a pirouette out of the air is a splendid sight. His partnering is exemplary, and with Penney there came a fusing of personalities in the first act duets which made them seem the natural outpourings of two young people desperately in love. It is exactly the sort of dancing the ballet requires, warm in its lyricism, and seeming freed from all physical problems.

As the third member of the central trio David Wall was no less remarkable, because he has darkened and deepened his reading of Lescaut without losing its dangerous charm. In that brilliant opening moment of the ballet when he is spot-lit alone *on the stage. Wall shows Lescaut* as a brooding predator; the later scenes have a more neurotic force than before, though the drunken pas de deux (Monica Mason ideal as the mistress) has *lost nothing of its mad humour.* Strong company support; sensitive orchestral playing under Barry Wordsworth. And to think people sniffed at *Manon* when it was first given: it has won a secure place in the repertory and in the public's heart.

Festival Hall/Radio 3

BBC Symphony

by MAX LOPPERT

The BBC season at the Festival is not turning out exactly as its planners had intended. Misfortune has caused the cancellation of two British premières due to be given by the *orchestra* —the Lutoslawski song cycle from Fischer-Dieskau some weeks ago, and the Estonian composer Arvo Pärt's *Cantus to the memory of Benjamin Britten* last night (Pärt failed to arrive from Moscow). Gennadi Rozhdestvensky conducted, as an apt replacement, the Passacaglia from *Peter Grimes*; it was a valiant, but—in the circumstances, understandably—somewhat cautious reading. (I have never yet heard an *account of it, whether* in the theatre or in the concert hall, in which the opening viola solo lies entirely happily on the instrument. Rare miscalculation on Britten's part?)

Caution seemed the keynote of the concert; this, too, was a slight letdown after the Russian conductor's glowing first Festival Hall concert with his new orchestra in October. The Dvořák D minor Symphony flowed sweetly and reasonably, but without the full richness of feeling or sonority that this orchestral wizard can conjure up. In the Scherzo, the playing started to bubble with greater vitality; elsewhere the tone seemed unusually restrained, moderate, median in dynamics.

Centrepiece of the concert was Hugh Wood's *Scenes from Comus* (1965), given a welcome revival. From past perform*ances I remember a more lyrical* outpouring than this one encouraged. The orchestral writing, and the admixture of Tippett-like flute-and-celeste swirls, solemn Messiaenic brass thirds, and the cut and thrust of the Stravinsky classical ballets, still make a potent, fascinating impression of magical sound-devices "in a light Fantastick round." But the vocal writing for soprano and tenor soloists seemed, by comparison, a trifle drab. Perhaps it was the fault of the voices in this performance — Jill Gomez on edgy form, Brian Burrows disappointingly dry and infirm of tone.

New RSA–Robert Mayer Award

The Royal Society of Arts' 1979 Scholarships for singers and string players include a new RSA-Robert Mayer Award.

This has been instituted to honour Sir Robert Mayer's personal contribution towards encouraging young British musicians. Using its own funds the Society will sponsor the RSA-Robert Mayer Award which will be of comparable value to the other principal awards. It is different to the others in that it will be offered specifically for *further study* at a recognised centre of music tuition in the United Kingdom. In the past the Society's music scholarships have been exclusively for further study overseas.

Further details can be obtained from the Secretary, Royal Society of Arts, 8 John Adam Street, London WC2N 6EZ.

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Thursday December 7 1978

A divided Europe

IT IS DIFFICULT to feel any great surprise at the outcome *of the European Council meeting* in Brussels. For months it has been obvious that the British Government entertained serious reservations about several important technical aspects of the monetary stabilisation scheme being proposed, which it felt would make things more rather than less difficult for the United Kingdom. These reservations failed to persuade the other members of the Community to revise the scheme so as to make it more equitable as between strong currency and weak currency countries, with the result that the British decision not to participate in the scheme, at least from the beginning, was virtually a foregone conclusion by the time that the European leaders met for their summit in Brussels.

Advantages

Ireland and Italy, too, have economies which are potentially vulnerable to speculative pressure in a European currency stabilisation scheme, but in their case fear of the risks has been more evenly balanced with hope for the countervailing advantages. In the final negotiations, however, they were not persuaded that the gains would *be adequate to outweigh the* risks, and both governments are now reconsidering the position. Whatever decision they now take, however, will be taken uneasily, if not reluctantly.

So the net result of a year of negotiation and debate is no more, as of now, than that the existing five members of the European currency snake have agreed to a remodelling and slight strengthening of their arrangements, and that France has decided to join them. This is not an entirely unexpected outcome: but it is nevertheless deeply disappointing.

It is disappointing primarily because of the stark contrast with the breadth of the aspirations originally linked to the target for a new European currency stabilisation scheme. When Chancellor Schmidt and President Giscard d'Estaing launched this year's negotiations, they made it clear that what they had in mind was a major political breakthrough in the development of the European Community. In the event, it is clear that there has been no major political breakthrough, certainly not one which is going to strengthen the Community as a whole: as so often before in the 20-year history of the *Common Market, long-term political* considerations of the common good were rapidly discarded in favour of the familiar haggle between competing governments.

What is so deeply regrettable is that those countries which were committed to the new scheme from the word go should have pushed national interest to the point where they knew the British Government was virtually bound to remain outside, and where even Italy and Ireland might be deterred from joining.

The British Government must bear a large share of the blame for the outcome, however. It has for so long adopted a mini*malist or even obstructive stance* towards participation in the Community, that it has largely alienated the sympathy of other members of the Community; in the case of the currency scheme itself, British scepticism has been so unrelenting that it left no room for the illusion that the Government might share in any of the broader political aspirations of Bonn or Paris. By contrast, Mr. Callaghan has been only too obviously anxious to appease the Left wing of the Labour Party.

Burden

This week's decisions are not necessarily irrevocable, of course. The UK will be associated with various aspects of the new scheme, including possibly the partial pooling of reserves, and it may yet join the scheme at some *later stage*. The continental governments have deferred yet again any discussion of a reform of the *common agricultural policy, but* if they should take steps to curb the intolerable financial burden of the CAP when they return to *the subject in March*, conditions for British membership in the currency scheme may look more auspicious.

It cannot be excluded, however, that this week's European Council meeting may prove to have been a turning-point in the direction of a two-tier Europe, in which the stronger economies are bound ever more closely together: and the weaker remain on the outside. If this is to be avoided, the first item on the agenda for the next European summit must be to revive some of the European aspirations which underlay the original Schmidt-Giscard initiative.

A calmer view of micro-electronics

SOME OF the recent comment about the impact of the so-called microprocessor revolution, both from government sources and from elsewhere, has bordered on the *hysterical*. There have been suggestions the introduction of micro-electronics represents technological change of a quite new and revolutionary kind, and that its social and employment consequences are *likely* to be catastrophic. It has never been very clear that the "computer-on-a-chip" is any more dramatic *than the invention of the transistor*; the factual basis for the dire predictions about jobs has been weak or non-existent. Hence the Central Policy Review Staff has performed a useful task in producing a report, published yesterday, which sets the whole matter in perspective.

Continuing

Without underplaying the importance of the micro-processor *chip in reducing the cost of* computing power and greatly increasing its range of applicability, the CPRS rightly regards it as part of a continuing process of change to which economies have successfully adapted. "Technological change has always been a major source of *economic growth and rising real* incomes; this should be equally true of micro-electronics." The employment effects of any new technology are notoriously difficult to predict, but on the basis of its studies so far the CPRS "is yet to be convinced that micro-electronics will be a major factor for the worse, unless the general prospects for employment make for increased unwillingness to accept technological change."

In support of its calm views on employment the report points out that the introduction of computers into the Civil Service 20 years ago was accompanied by similar expressions of alarm about job losses, but in practice the consequence appears to have been that *the more computers installed, the more staff* has been hired; in some cases computer applications have *themselves suggested new areas* of work while in others staff freed by the installation of computers have been absorbed in new services.

Such sparse evidence as is available about *microprocessors* leads to similar conclusions. "Applications," says the report, "rarely involve the straightforward substitution of labour by *microprocessors*. More often the main motives are the reduction of stock levels and savings in raw materials and energy, improvements in quality and reliability, better information for *control or the solution of technical* problems. Applications, particularly on the service side, often lead to possibilities for *new or improved services* that were not foreseen before the applications were made.

Whether an individual company invests in microprocessors depends, of course, on whether it sees an adequate return on the investment. If the commercial advantages are as great as they clearly are in certain cases, it is not obvious that special incentives and subsidies to promote the use of micro*processors* are needed. The danger is that assistance from public funds will be either wasteful or dangerous — if it encourages companies to rush into applications for which there is not yet a commercial demand.

Mobility

The important role for the Government is not in direct intervention but in helping to *create the conditions in which* technological change can be readily accepted. This involves investment in training and retraining and policies to promote labour mobility. The shortage of skilled staff which electronics and semi-conductor manufacturers are already experiencing is partly the result of Government policies which have eroded differentials and inhibited mobility. The supply of trained *manpower and the willingness* of trade unions to accept the necessary changes in skill requirements may prove to be the biggest obstacles to the spread of microelectronics.

European summit: better than first feared

BY PETER RIDDELL, Economics Correspondent

THE unexpectedly bitter arguments at this week's EEC summit in Brussels about the membership of the proposed European Monetary System (EMS) have tended to overshadow the crucial point that the nine countries did actually agree both on the details of the scheme and on a starting date of *January 1*.

The immediate cynical response to the outcome of the meeting was that France had chosen a *particularly convoluted* and Machiavellian way — even for Paris — of rejoining the snake, the existing European *currency bloc*. But the events of the past two days amount to much more than that, even if the currencies to be linked formally next month now only look like being those of the present EEC snake participants — Belgium, Denmark, Germany, Luxembourg and the Netherlands plus France.

The EEC will not merely carry on as it was before April when Herr Helmut Schmidt, the German Chancellor launched his proposals for a zone of monetary stability in Europe. The arguments at this week's meeting which had led to a probable division of the EEC into a prosperous group of six countries and a weaker one of three (*Italy*, Ireland and the UK) on this key issue will clearly have important repercussions for the whole development of the EEC (discussed on page 2 of this paper).

There are more immediate implications, however, of the Brussels decisions for all those involved in foreign exchange transactions. For a start, the system agreed is different from the present snake in its scope. *This in turn may mean changes* from what is happening now, even if the membership remains limited to six, rather than all nine EEC countries. There is the linked question of what will happen to the currencies of the three probable non-members and of their longer-term relationship with the new system.

The new system differs from the snake principally in the nature of its intervention mechanisms and in the credit facilities available in order to ensure that the mutual exchange rates can be maintained. Its *objective is more ambitious than* that of the snake in providing more funds for intervention and in integrating the intervention mechanism more closely with discussion of monetary and economic policies in participant countries. The details are discussed in the accompanying panel. Many critics, notably in the UK, still believe that in its essentials the system is the same as the snake.

There *is*, in *particular*, the central question—the main issue of contention among finance *ministers—of what will happen* when the early warning signal *goes off*. Sceptics doubt whether this will be followed by the desired consultation and adjustment by both strong and weak countries. Instead, they believe, the pressures will be principally on the weaker countries.

It is a key difference between snake and the new system that the latter will be Community-*based* and not *merely* a club crossing the community boundaries, from whose discussions Community members who are non-participants are excluded. The new system is essentially designed for the EEC, though others can be associated. Its rules have been tailored to permit a continuing involvement of those EEC countries which do not initially want to join the currency scheme.

That has the semantic advantage that countries can say they are in the system without being in the currency mechanism. While it allows a certain amount of papering over of political cracks, it is possible to detect more substance in the *idea of halfway house or partial* membership.

In particular, there will be reciprocal consultation in various EEC bodies about "important decisions concerning exchange rate policy between countries participating and any *country not participating* in the system." Thus currency policy has been established as a proper subject for *Community discussion even if some countries are* at present unwilling to link their own national exchange rates.

The system allows scope for non-participants to be involved from the start in the very short term *facility under which European Currency Units* are issued against the deposit of 20 per cent of the gold and 20 per cent of the dollar reserves *currently held by central banks*. It might be attractive for an outsider like Britain to allow sterling to be used for intervention as an aid to the stability of the pound. However, the Brussels communique made it clear that non-participants *would not be able to draw on* the proposed expansion of Community lending to less prosperous countries. The UK will *be involved in the increase of* the EEC's medium-term credit to an amount of about £7.7bn.

Non-participants in the cur*rency regime will be involved in* the review of the working of the system after six months. But well before this happens the scheme will be tested in the markets, and the likely limitation of membership to six could affect the central rates set at the beginning of the scheme. Although heads of government on Tuesday evening were strenuously denying an intention to alter parities before January 1, the foreign exchange markets would not be surprised by a small revaluation of the Deutsche Mark within the next month following the small upvaluation within the snake in October.

Stable rate

The French Government faces the most *immediate dilemma*. In the absence of the Italian lira and the Irish pound the French franc now looks the most obviously *exposed currency*. In some circumstances in the past the French might have preferred to devalue before entering the *system*, but President Giscard d'Estaing is committed to a stable exchange rate as part of the battle against inflation. Indeed, he may be counting on German support to uphold the franc over the next few months as the plan for the recovery of the French economy launched by M. Raymond Barre, the Prime Minister, bites.

The position of non-participating currencies is less clear cut, though yesterday's quiet market reaction suggested that there is no reason to believe that there will be a sharp fall of either the Italian lire or the Irish pound outside the system. Britain has been publicly committed to maintaining a stable effective exchange rate against the average of all other currencies for some time. Indeed, the pound has fluctuated within a narrow band *since early 1977* on this calculation. This policy is unaltered by the British decision not to link sterling *formally with the other currencies*. According to Herr Helmut Schmidt, the German Chancellor, Mr. Jim Callaghan, the British Prime Minister, told the other leaders that sterling's effective rate would be held within a margin of plus or minus 2.25 per cent against its trading partners throughout the world, and not just those in the EEC.

Indeed it is possible that if political circumstances in *Britain* changed after an election, and progress was made within the EEC on reforming the budget and improving the *balance of financial transfers* that Britain might reconsider the possibility of joining the currency regime. This may have looked a long way off yesterday after the arguments and undoubted disappointments of Brussels, but the EEC leaders have created a framework which allows non-participants to join later with fairly limited formal discussions, though with rather more than merely a phone call.

The likelihood of the three outsiders joining depends not only on improvement to the Community budget and more help for the less prosperous regions, but also simply on whether the system holds together. The sceptics were remembering yesterday that the French franc was twice forced out of the present snake most recently in early 1976. Moreover, the underlying economic differences, especially between rates of inflation of member countries—such as France and Germany—are now much greater than when the snake was born six years ago.

Britain, Italy and Ireland then were forced to leave within a few weeks.

The prospects of the new system also depend crucially on what happens to the *dollar*. The recent greater stability of the U.S. currency provides a better chance of success than might have been thought a few months ago, as Mr. Callaghan pointed out. But the definite and clear setback to earlier dreams at the *Brussels meeting does make* hopes of creating a wider zone of stability, to include also the Japanese yen look, more remote.

At the Brussels summit: President Giscard d'Estaing waits for the meeting to resume while Herr Helmut Schmidt catches up on the news.

HOW THE SYSTEM WORKS

THE HEART of the proposed EUROPEAN MONETARY SYSTEM is a scheme to link closely the exchange rates of members, basing the system on the *EUROPEAN CURRENCY UNIT* (ECU).

The ECU will be composed on the same basis as the present EUROPEAN UNIT OF ACCOUNT. This is a basket of the EEC currencies, the amount of each currency included *reflecting the distribution of trade between members of the Community. This will include all* nine EEC members.

The new unit will be used as the denominator or numeraire for the exchange rate mechanism; as the basic indicator of whether a currency is diverging; as the denominator for operations in *both the intervention and the credit mechanisms; and as a means of settlement* between the *monetary authorities*.

Several features of the ECU are unclear—notably its use as a means of settlement and the position in the unit of currencies not participating in the scheme. While the exchange rates of non-members *will be frozen for the purpose of calculating the value of the ECU it is not* yet clear whether their weightings will or will not be altered to reflect trade patterns.

Each member currency will have an ECU-related central rate which will be used to establish a grid of bilateral exchange rates. Currencies will be allowed to fluctuate around these central rates by a margin of plus or minus 2.25 per cent. *Countries at present outside* the snake may opt for wider margins of 6 per cent at the outset.

Intervention will be compulsory when these margins have been reached. To this extent the scheme is like the present snake. However, in addition, the ECU will be used in its other role as an early warning indicator to detect divergences between currencies. This *threshold* of divergence will be fixed at 75 per cent of the maximum spread of divergence for each currency.

The question of what happens when that maximum is exceeded has caused considerable controversy. The Brussels meeting effectively decided on a compromise. When a currency crosses its threshold of divergence there is a presumption that the authorities concerned will correct this position. This can be by intervention, domestic monetary policy, changes of central rates and other measures of economic policy.

***In this sense, the system* will be much broader than the snake. But in practice this begs a lot of questions about what will happen, especially as the threshold of divergence is likely to be reached before the compulsory intervention point is touched under the system of cross-rates.**

***The communique merely notes that in case corrective measures* are not taken on account of special circumstances, the reasons shall be given to other authorities concerned. Intervention will, in principle, be made in the currencies of members and adjustment of central rates will be subject to mutual agreement.**

In support of this currency mechanism, a *very short term facility of an unlimited amount* will be established and the existing short- and medium-term credit mechanism will be expanded from around 15bn ECU (about £10.5bn) to 25bn ECU. The latter will later be consolidated into a EUROPEAN MONETARY FUND, to be established in two years' time *when the ECU will also be used as a reserve asset and as a means of settlement.*

MEN AND MATTERS

United front by the Uniwash

Sandwiched between the *Uniwash launderette* and a Japanese car showroom in Holland Park Avenue I found it. "Open," said the card on the door, like any other shop—the headquarters of the British Esperanto Association. The telephones rang constantly there was an atmosphere of mild chaos among the two staff—today, after all, is the first centenary of the language.

Its beginnings were not auspicious, admitted the general secretary, Herbert Platt. Originated by Ludwik Zamenhof, a Russian/Polish oculist (the *borders kept changing*) when he was a student, the language had to be invented twice. "His father felt it might interfere with his studies and destroyed all his manuscripts. But since then, and especially after 1905, when the first international Esperanto conference was held in Boulogne, it has developed steadily, says Platt. There is an academy based in Paris, and he claims 12m Esperanto users in Europe alone, and, well, he cannot estimate, but plenty more in Britain than the 1,500 British members who pay his salary and that of his assistant. "The idea caught on for reasons we now recognise as false," says Platt, 51, who took his job in 1963 after working for the Defence Ministry. "If people were able to communicate freely there would be no war—we know now that is not correct. You only have to look to Ireland. . . . But some strife would disappear. On the other hand it's been said that as long *as people can converse enough* to say they believe in God they are friends. When they can specify which God they come to blows."

Esperantists now talk instead of the UN's £55m bill for translating speeches and documents, or the massive cost to the EEC of the same service.

Platt is especially pleased by the establishment of a *74-strong* Esperanto Parliamentary Group, nearly all Labour because, he explains, of the effective lobbying of the Trade Union and Co-operative Esperanto Group. No, he admitted, as far as he knew none of the MPs—among them the staunch anti-European Anthony Wedgwood Benn—*actually spoke Esperanto*.

Neither the Liberals nor the Labour Party seemed, when I talked to them, to know much *about Esperanto or its enthusiasts*. But Conservative Central Office easily explained why 10 Tories had joined the Parliamentary Group: "I don't like to take their names in vain," said a spokesman laconically. "But most of them are groupies—they'd join almost anything."

"Another round in Labour's vendetta against the City!"

To the point

The Conservative MP Neville Trotter, just back from a trip to West Africa, tells me that—in one of the smaller countries—he was shown some correspondence between a major British engineering contractor and a government minister.

The contractor, working on a multi-million-pound contract, was concerned at not being paid for five months. Trotter saw the letter of complaint which had been returned by the minister. On each page was stamped in large letters a Nixonian expletive. The covering letter read: "Re you application to come and talk to me, it is quite clear that our minds do not work in the same way. So I am not going to meet you."

It seems a rather inelegant approach compared with the Zam*bian way of doing business*. The finance minister John Mwanakatwe has a novel method of controlling the economy. When *a ministry overspends*, the Bank of Zambia simply refuses to honour its cheques.

Full fare

In Liberia, Trotter was a little startled by the way inflation has *gripped the popular imagination* —when the desired cash-flow is in the other direction. An oilman complained that he had been asked for $3,000 for the forgetting of "irregularities" in the company accounts. When he remonstrated he was presented with a formal assessment of $60,000 and the information that "the appeal court has not sat for 14 years."

Casting pearls

The report of Judge Rudolf Erasmus on the nefarious *activities of South Africa's* former Department of Information is likely to prove a best-seller for its revelations of high-living, high-spending and double-dealing. It could also prove something of an attraction for students of what are already known as Erasmania—poetic fancies enlivening the more prosaic jargon of the legal world.

The Judge, one of the first Rhodes scholars to attend Oxford University from South Africa, has a reputation for his linguistic contortions on the bench. His latest work is no exception.

His report begins with a description of the secret fund of the Information Department as having "all the attraction of a lovely *fresh* apple, but the germ which could cause complete rot to set in was already there at the flowering stage." By the fourth chapter he is firmly into his stride with "the strong chain which had to draw the republic through the troubled waters and rough seas of hostile world opinion"—the secret fund again.

He has the state president, Balthazar Johannes Vorster, unable to separate the wheat from the chaff, but equally unable to act over the spilt milk of the Information Department activities. Dr. Cornelius Petrus Mulder, the information minister, for his part turns a blind eye like Nelson to the actions of Dr. Eschel *Rhoodie*, his chief civil servant.

But the denouement is best. Judge Erasmus describes how *the secret service accountant*, who had investigated and clear the secret projects, broke down when confronted with the full evidence of irregularities. "He burst into tears and, like a lanced boil, made a clean breast of things."

Timely

There was some Yuletide cheer for British *Rail* directors yesterday. Southern region passengers might have been cast into darkness by the engine drivers' strike but Ray Buckton, general secretary of ASLEF, the drivers' union had a seasonal greeting for BR. Featuring a large bell of the kind that engine drivers once rang Buckton's message read: "Peace on earth." And goodwill too?

Observer

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Brazil

The political and economic scene in Brazil is due for a major change as the pattern imposed by the coup d'etat of 1964 begins to wear out. Civilian politicians and trade unionists are starting to enjoy a greater freedom and Brazil's foreign partners will have to adjust to the new realities.

Changes on the way

By Hugh O'Shaughnessy
Latin America Correspondent

"WE ARE making the transition to real democracy," a veteran Brazilian politician remarked to me the other day. "It may not be as peaceful and smooth transition as they had in Greece after the colonels were ejected but I am sure it will not be as turbulent as the present situation in Iran . . . It could be similar to the situation in Spain after the death of Franco."

The general elections of last month showed that indeed the old, authoritarian Brazil which was inaugurated by the military coup in 1964 was fading fast, and the political structures set up by the generals at that time were exhibiting signs of wear.

The freedom allowed to those *campaigning for the opposition* MDB or Brazilian Democratic Movement and the latitude given to the press in the run-up to the poll made it evident that a new, more liberal era had dawned.

The new freedom was far from being absolute but it was a distinct change from the days of severe political and press censorship which Brazilians lived through in the 1960's and the early 1970's. The results too showed that the city-dwellers at least were unafraid to express their desire for change, even if, under the present rules the MDB is constrained to remain a party of the opposition while the ARENA, the National Alliance for Renewal, stays as the sounding board for the view of General Ernesto Geisel, the President.

Heartland

Many of the principal cities of the country, especially the industrial heartland of Sao Paulo voted for MDB though as results still dribble in from outlying areas the ARENA *appeared to be maintaining its* hold over much of the countryside. While the MDB did well in the lower house the government party maintained its grip on the Senate. The ARENA chalked-up about 10m votes and the MDB about 15m.

None of this was to be wondered at. The strikes and the political unrest, the continuing complaints of businessmen against the Government and the groundswell of criticism of the authorities in the communications media all indicated this year that Brazil was becoming weary with the results of the 1964 coup d'état.

For many months it had been obvious that change and liberalisation were inevitable. It had also been obvious that change would come about as General Ernesto Geisel prepared to hand over to his chosen successor General João Baptista Figueiredo. Today the air in Brazil is thick with rumour and speculation about how the liberalisation will be carried out and what its effects will be.

One of the first victims—or beneficiaries—of change will be the two-party institution. Since shortly after the military took over ARENA has been there to act as a political conveyor belt for the policies of the Presidents and their close associates. The fact that it was the "Government party" did not mean that what ideas it generated became official policy. It was a receiver and disseminator of ideas, not a generator of them. The MDB at the same time was cast in the role of the permanent critic, attacking with greater or less energy the Government's decisions but never being able to aspire to real power.

It now seems reasonable to suppose that this highly artificial and petrified situation will be changed, the Government allowing four or five genuine parties to start up. Each would be a genuine and authentic expression of real political forces.

There could be a party for conservatives and even a grouping for the extreme right, a centrist group which could contain elements from the UDN or National Democratic Union and the PSD or Social Democratic Party which flourished in the years before the coup. The PTB or Brazilian Labour Party could rise again in some form while the Socialist left could have its own group.

Many opposition figures are mistrustful of the Government's intentions and claim that the authorities are merely trying to destroy the MDB at the moment when, like Pinocchio, it is moving from a puppet existence to real independent life and becoming a real and useful vehicle for opposition activity. While it is a foregone conclusion that the military will attempt to manage the emergence of real political parties in the way best designed to minimise the disruption of the present status quo it is also certain that the MDB must be broken up sooner or later.

As the logjam in the party political arena begins to break up the trade unions are emerging for the first time since the 1964 coup as independent centres of power. The mid-year stoppages in the metalworking industries of São Paulo and the rise of individual workers leaders to national fame has raised the possibility that organised labour could become as powerful a force in Brazil as any single political party.

Power

The break-up of a 14 year old political order and the emergence of the trade unions once *more as a power in the land* comes at an awkward time in Brazil's economic history, a fact which adds to the delicacy of the tasks facing Brazil's rulers and which will make demands on Brazil's trade partners and creditors.

The presence of real political parties on the scene and the consequent releasing of the trade unions from the chains that have bound them for so long will undoubtedly create greater inflationary pressures in Brazil at a time when inflation has already become once again a serious problem.

It could have been foreseen. The victory that successive militray rulers had since 1964 in their fight against inflation was, it can be seen, due more to the fact that they were able to cripple organised labour and virtually outlaw strikes than to any other factor. Though many *analyses have been done of the arcane mechanics that economy* ministers used in their efforts to halt inflation, the military governments of the past 14 years have discouraged analysts from making too much of the fact that the unions were deprived of bargaining power. The "free market economy" conditions which were supposed to obtain in Brazil never in fact obtained.

One of the contracting parties to the economic bargain, organised labour, was by decree deprived of the power to organise effectively and the "free market" was thus seriously distorted. As the unions begin to be allowed greater freedom this distortion in the Brazilian economy will have to be worked out and corrected. The process of working out and correction is bound to be a delicate, costly and inflationary one as workers attempt to recover the purchasing power and the bargaining counters which were taken from them progressively since 1964.

The release of the pent up forces of civilian politics and trade union demands will doubtless too have more far-reaching effects than that of merely stoking up inflationary fires. Greater criticism may be expected of the whole export-led model of growth that Brazil has followed for more than a decade. At the popular level there is likely to be greater questioning of an economic policy which says that domestic consumption must be made secondary to the demands of the export markets and the balance of trade.

It could also lead to more open questioning of the role of foreign business enterprises which operate in the Brazilian market and some pressure for a curtailing of the privileges that they have been enjoying.

That in its turn could produce increased pressure on the balance of payments which is already suffering from an upturn in interest rates charged on Brazil's massive foreign debt.

The Brazilian authorities are not worried about this development. As one leading Government figure remarked, "If you owe your bankers a small sum you have to do what they say. If you owe them as much as we owe our bankers then the roles tend to be reversed."

It is a fair bet that lenders to Brazil will have to exercise no little patience and self-abnegation in the months to come—as the lenders to the Acominas steel project have already had to do.

Whether the political and economic transition that Brazil is facing will be smooth or turbulent is a question which will be decided by the ability of one man above all, General Figueiredo, the President-elect, who takes over from General Geisel in March. Some of the statements that he has made this year have shown that he lacks political tact and that the niceties of diplomatic language are not for him. At the same time his supporters say he is a hard worker who, unlike the present incumbent, has mastered the ability to delegate responsibility to his subordinates.

Time alone will tell whether he is equal to the delicate nature of the job that he has taken on.

President-elect General Joao Baptista Figueiredo.

No easy road for export drive

The new metropolitan cathedral (right) dominates the commercid centre of Rio

CHEAP IMPORTED oil, cheap labour, subsidised credits for farming and industry (especially capital goods), attractive incentives for foreign companies and massive Government investment in steel, mining and electric energy brought booming growth to Brazil until the end of 1973.

A year later the full impact of the world oil crisis had hit a country importing 90 per cent of its oil. The balance of payments deficit swelled from $1.7bn to $7.1bn with a trade gap of $4.69bn and a $2.41bn services deficit.

The choice was clear: either to increase experots rapidly and cut imports, so creating a trade surplus to offset the inevitable service deficit caused by systematic resort to development-financing foreign loans—or face international insolvency.

Priorities were rescaled: consumer goods were passed over, credit or tax incentives were pumped into export produce (coffee, soya, sugar and cocoa) and industries considered likely to affect the trade balance positively by producing import replacements (capital goods, instruments, car parts and accessories) or into exports (vehicles—a key item—relatively unsophisticated machinery, processed foods, instant coffee, fruit juices, and food oils).

A compulsory prior deposit of 100 per cent of value was exacted from importers, to discourage purchase abroad of superfluous goods. High tariffs were placed on a vast range of products: the more superfluous, the more prohibitive the tariff.

Meanwhile, whenever a Brazilian company was deemed capable of producing a local counterpart, imports of foreign components or equipment were discouraged under the Law of Similarity. This law is a sore point with foreign concerns as well as competent, large-scale Brazilian manufacturers, who feel that it penalises them and rewards a host of small industries not particularly moved to improve quality or delivery dates, since they have little fear of competition.

The package of policies devised by President Ernesto Geisel and the civilian technocrats in charge of key Ministries and trade bodies paid off: by the end of 1977, Brazil had a modest trade surplus of $117m with exports of $12.1bn and imports of $12.0bn (a $610m drop in exports compared with 1974).

Most important, while Brazil is still the world's second largest exporter of farm produce after the U.S., its manufactured exports totalled about 40 per cent of exports in 1977 and, in 1978, exceeded agricultural exports by 52 per cent to 48 per cent.

The high 1978 ratio of manufactured exports versus commodities is, however, caused by a virtually disastrous farming year. Nevertheless, the rise in exports of manufactures and the fall in farm exports illustrate the benefits and drawbacks of Government foreign trade policy and indicate that the dilemma may persist in years to come.

Reduced

This year, successive droughts, frosts, unseasonal heavy rains and blight have hit farmers. Moreover, in the wake of Government cuts in crop and farm machinery credits, part of an overall anti-inflation drive, planting areas were reduced. To complete the picture, world farm commodity prices slumped, reversing recent boom effects of soaring coffee and sugar prices.

These natural or unnatural diasters sheared about $1.5bn off revenue from agricululural exports. Moreover, with lop-sided export-oriented central planning, staples like wheat, maize, rice and meat fell short and forced imports of items previously produced in sufficient domestic quantities.

Thus, manufactured goods—especially transport materials (vehicles, motors, parts, vessels and, albeit more modestly, the Brazilian-made Bandeirante aircraft), and machinery—saved the day, offsetting the 22 per cent drop in agricultural exports with an 80 per cent upsurge in exports of transport materials ($469m from January to August) and 35 per cent rise in exports of machinery, instruments and equipment ($345m in eight months).

These composite groups are now in fourth and fifth place on Brazil's export list, surpassed only by coffee beans ($1.05bn in eight months), soya meal or cake ($751m) and iron ore ($715m).

Faced with limited chances of large-scale sales increases to industrialised Western nations, and with massive trade deficits with Arab oil-producing countries or Nigeria, Brazil has campaigned, with varying success, to sell more to oil suppliers, diversify its range of exports and find new markets in developing, non-OPEC nations. It has wooed every country in the world but Cuba, which it still shuns for political reasons, while having no similar political reasons, while having no similar political reservations about trade withthe Comecon bloc or China.

Few dents have been made in deficits with Saudi Arabia ($926m), oil imports of $945m, exports of only $18m, Kuwait (imports $311m, exports only $8.8m) or the United Arab Emirates (imports $82.3m), exports only $4.5m. But with Iraq (exports $67.6m, imports $901m) Brazil has scored two major successes: a $150m contract to build two hotels and a $1.2bn contract to build a 500 km stretch of railway—proof that, after initial scepticism, Brazilian manufacturers and builders are convincing part of the Arab world that their goods and services can compete with those of U.S. or European suppliers.

With Nigeria, Brazil has been even luckier, marketing, with the image of Pele, the football star, a range of electrical appliances that helped to push exports from $2.8m in 1973 to $130m in the first eight months of 1978.

Meanwhile, Brazilian-made Volkswagens are driven in Algieria, Bulgaria and throughout Latin America. Brazilian-made Fiat 147s are exported to Italy for sale in Europe, and Brazilian-made Volkswagen spare parts and motors are used by the company's German and U.S. operations. Fiat, for one, considers the export market for its $550m Brailian operation one of "enormous possibilities."

Luckier

Another market with great potential for Brazilian exports is China, where concerted efforts to sell anything the Chinese will buy have already led to contracts worth over $600m for Brazilian iron ore and steel products over the next three years.

Undaunted by queues of high-power Japanese and Europeans ready to sell to China, Zrazil's negotiators are expressing satisfaction at recent successes, and making it clear they expect more in the months to come.

While Brazil has few hopes of shrinking its deficit with Arab, OPEC nations in the near future, trade figures with industrialised nations tell a different tale. It now has a $680m surplus with the EEC, including a $453m surplus with the Netherlands (importers of coffee and of Brazilian-made Philips appliances), a $113.5m surplus with the UK and a (shrinking) $84-5m surplus with France, which, recently, has rushed onto Brazil's markets, with everything from capital goods to air traffic control equipment.

Brazil would dearly like a trade surplus with the U.S. where it has had had an average deficit of $1bn a year for the last five years.

Among other things, however, trade deficits of Brazilian-based U.S. subsidiaries, especially chemical and drugs, electronics and tyre manufacturers, make this goal hard to achieve. Most of them import from three to 10 times more than they export, despite Brazilian Government pleas to correct the balance.

The U.S.—Brazil's largest single trading partner ($2.6bn two-way trade in the first half of 1978)—has now compelled Brazil to take the first major step to alter its export incentives policy. Under what Brazilian negotiators call the "draconian" U.S. trade Act, American clothing workers demanded a 37.2 per cent countervailing duty on tax-relieved Brazilian textile exports: to avoid this, Brazil's authorities agreed to cut subsidies by this amount, over a 12-month period.

The psychological price of this concession—on an item representing only 10 per cent of all U.S. textile imports—is almost as heavy as the financial price for Brazilian textile manufacturers, creating a precedent that makes all Brazil's subsidised exporters uncomfortable.

Incentives

Under the incentives scheme, they receive up to 50 per cent relief on Value Added and Industrial Product Tax, for manufactured or semi-manufactured exports. Foreign manufacturers operating in Brazil receive similar incentives, in exchange for a commitment to export XYZ dollars of goods over 10 years. In the case of major manufacturers the commitment is about $500-$700m. The largesse is a double-edged weapon, however.

Vehicle manufacturers like Volkswagen, Fiat, Mercedes-Benz, Ford, General Motors and Chrysler have not only adhered to export quotas, in some cases they have exceeded them before deadline.

Reputable, efficient Brazilian manufacturers or constructors have used subsidies effectively and formed hard-driving foreign sales teams, with ever-improving results.

However, only about 200 companies among thousands of officially-registered "exporters" make substantial contributions to foreign sales: several thousand are considered drones, which cost the Bank of Brazil's Export Bureau (responsible for supervising foreign trade), hours of time and millions of dollars a year to chase them up.

Not content with taking Government largesse and not reciprocating in energetically increased foreign sales, some "manufacturers," cost the authorities close to $100m a year in loading frauds, export-invoicing "shoes" which are empty boxes or crates of old bricks, and other dodges.

Slackly applied and supervised credits or tax incentives—not rarely used to buy investment property or expensive cars—have an inflationary effect on the money supply and deficitary effect on State revenue that bite into the benefit of better foreign trade, market shortages from under-production of food staples push up retail food prices, further aggravating inflation (running at an estimated 40 per cent annually).

Meanwhile, on the international front, Brazil faces the threat of wiespread retaliation for subsides and/or tariff barriers (which it is not reducing to the satisfaction of EEC and other negotiators), even though it is now in the strong position of being one of eight countries responsible for wording the new GATT subsidies code, which will endorse the right of developing nations to subsidise exports in order to sustain development, and include a strict proof of damage clause condition.

With a $5.3bn balance of payments deficit expected this year (including a probable $800m trade deficit due to sluggish agricultural performance) Brazil must continue to sustain its export drive and, in fact, step it up.

Obstacles are mounting, however, at home and abroad. The public mood does not resemble 1974, when draconian political controls and propaganda barrages induced voluntary or involuntary support for the export drive and downplay the urge to consume or earn higher wages.

Today, an increasingly critical, free public and Press is no longer receptive to food shortages, consumer credit squeezed by exorbitant interest rates while some farmers or small manufacturers spend subsidised credit on trimmings, not production, wage controls that adversely affecting blue collar workers who keep machinery and farms running, and official neglect of growing urban blight—all in the name of "the cause."

Struggles

Nor can there be savings in crude oil imports while Brazil struggles to step up domestic oil production: the public ignores both pleas to save petrol or fuel oil and price increases as well as consumption increases monthly; causing an imported crude bill that will cost $3.8bn in 1978—over a third of total estimated imports.

A new government comes to power in March 1979, committed to institutionalising democracy, better living standards, moderate economic growth and careful handling of the balance of payments. With the new, more demanding public mood, stronger congressional opposition, and growing international protectionism, the imponderables likely to affect Brazil's future export drive go beyond unreliable weather and higher world oil prices.

Diana Smith

A better deal for the consumer

Sr. JOSE, cleaner in a Rio de Janeiro hotel, earns Cr3,500 (£87.50) a month. He has a wife and two teenage daughters ("Who are getting a proper education and won't have to go into service like me," he says), and lives in his own small three-room house.

Sr. José lives strictly within his means. He gets morning coffee, lunch and a light tea at work, which saves on a household budget that absorbs almost half his income. "I'm not badly off," he insists. "It would be much worse if I tied myself to hire purchase of fancy gadgets like colour TV. I only buy what I can afford. Cash down."

A clear sense of what he can or cannot afford makes Sr. José the exception rather than the rule in a country where, more commonly, the scanter a person's means the more he burdens himself with instalment payments on everything from a TV set to ovens, kitchen gadgets, furniture, clothing and even ornaments.

The electrical appliances boom occurred in Brazil despite Government efforts to curtail durable consumer goods consumption by limiting the number of instalments—24 for a car, 12 for appliances or furniture (which once could be paid in up to 30 instalments) and urging banks to discourage consumer credit while favouring capital or investment credit: a part of the export drive that has taken priority for the last three years.

Nevertheless—in a country of some 120,000 people, where half the population is under the age of 20, and over one third of the 40m-strong labour force earns no more than the national minimum of Cr 1,560 (£39) a month—no fewer than 477,000 colour TV sets were sold in the first half of this year—49.1 per cent more than in the first half of 1977.

Increases

On top of that, 100,000 hoovers, 342,600 ventilators and 372,000 car radios were sold from January to June this year, not to mention 278,700 floor polishers, 631,600 electric irons, 2,400 refrigerators, 1,368,000 transistor radios and 434,000 record players—sales increases of between 12 and 41 per cent.

Add to that production and sales of 500,000 cars in six months and it would be fair to assume that, despite the squeeze, the durable consumer goods industry *is* not *feeling* the pinch too much.

The painful part concerns the consumer. He has three choices: one, paying cash down: about Cr 120,000 (£3,000) for a two-door compact sedan; Cr 12,870 (£321) for an 18 ins screen colour TV; Cr 4,000 (£100) for a 17 ins screen black and white TV; or Cr 4,280 (£107) for a 230-litre refrigerator or Cr 1,995 (£49.5) for a functional sofa—something a Brazilian cannot do without the sort of monthly income enjoyed by executives or senior bureaucrats.

The would-be consumer's second choice is to buy a car on hire purchase from a respectable dealer who works with a respectable finance company (either owned by car manufacturers, or tied to major commercial banks); or an appliance from a nation-wide chain store which works only with bank-tied finance companies (or the few finance companies owned by appliance manufacturers like Sharp of Brazil).

Major finance companies are highly competitive: they must offer attractive interest rates, rapid approval of contracts and other facilities to dealers or department stores in order to stay in this lucrative market.

Generally, a buyer of a new car trades in his old vehicle as part-payment. A first-time car buyer can rarely afford an unused car: he starts with an old, cheap Volkswagen Beetle and, as his income increases, buys more expensive used cars until he can afford a brand-new one.

To buy a Cr. 120,000 (£3,000) two-door compact sedan on hire purchase, the customer must pay 30 per cent down (£900)—taking the value of his trade-in into account. He has two years to pay off the remaining "70 per cent" which, with interest is, in fact not Cr. 84,000 (£2,100) but Cr. 129,358 (£3,233) or 120 per cent. But being an "A" income bracket customer, he generally realises what he is letting himself in for, and makes due arrangements.

The finance company, not the dealer, signs the purchase contract with the customer and has legal possession of the car until the last cent is paid off.

Creditworthiness is first checked with the Brazilian Credit Protection Service which records details of all users credit—and bad payers.

Even so, finance companies base their monthly interest rates—normally about 3.8 to 4 per cent—not only on the cost of their fund-raising (from bills of exchange sold on the market) plus an escalation rate for inflation, but on risk—that is, the cost of collection or, in the last resort, repossession.

They calculate monthly instalments on the basis of 25 per cent of a reliable customer's monthly income. If his income is lower and, thus, the ratio of outlays on instalments higher, he must find a guarantor or offer solid security other than a steady job and good name—otherwise, no car.

Buying an appliance like a refrigerator, colour TV or hi-fi set from a major chain store is somewhat different from buying a car. With the latter, the finance company directly handles transactions; with the former it assesses a store's, not a customer's, credit-worthiness and allocates an annual credit "package" to the store.

Thus, a profitable, well-run large chain may receive, say, Cr 50m (£1.25m) a year in blanket credit from a bank-tied finance company. Thereafter, the store may sell what items it chooses to whichever customer it chooses: it has the onus of collecting instalments and chasing up slow payers or defaulters. Under current legislation, the cost of a single item sold on hire purchase must not exceed Cr 23,000 (£575)—although a package of items whose total cost exceeds this sum may be sold on hire purchase to a customer in one credit operation.

Legally, instalments should not exceed 12 months, but several stores stretch this point, and the price ceiling, for favoured customers to, say, Cr 40,000 (£1,000) for a particularly sophisticated hi-fi set and to 24 or 36 instalments—with accompanying increases in the final cost of the item.

Interest rates offered by bank-tied finance companies to major department stores average 3.9 per cent a month. The store adds about 3.1 per cent each month, to cover its overheads and risks. Because TVs or refrigerators deteriorate more rapidly than cars, most large stores do not bother to repossess appliances from defaulting clients.

Thus, with monthly interest of about 7 per cent, a customer buying a Cr 6,000 (£150) refrigerator from a large store (which buys in huge bulk from manufacturers and can thus charge lower cash prices) pays 30 per cent down, or £45, and monthly instalments of Cr 750 (£18.75) — Cr 9,000 (£225) for 12 instalment—120, not 70 per cent of the cash price.

Like the buyer of a new car, the client of a large, well-known department store tends to have a sharper awareness of the financial onus he brings upon himself. Though defaulting exists it is not an overwhelming problem for reputable traders or the finance companies who supply credit facilities.

The third option is where the problems lie: Hobson's choice for "B" and "C" income brackets generally rejected by major department stores, who must turn to "the shop around the corner" and independent, non-bank tied "finance company round the corner." Major finance companies will have nothing to do with such enterprises.

In this "independent" area, most customers do not bother or have not the mathematical prowess to work out what a hire purchase transaction will cost them in the long run. They fall into a pit that swallows them, their earnings and their families' already-precarious security.

One "shop around the corner" often sells everything from ash trays to household appliances to furniture; another one a block or so away sells clothing and shoes, luggage, and bric a brac. Until recently, traders were not obliged to display either cash or hire purchase prices; now they must (grudgingly)—but the display does not include final cost of an item, only the cost of monthly instalments.

Refused

Thus, someone who has been refused credit from a solid chain store and goes down market to a local store, does not realise that the refrigerator for which the chain store asked Cr 6,000 (£150) cash down, is the same model for which the local shopkeeper charges Cr 7,000 (£175) or Cr 8,000 (£200), cash down, and that interest charged by his friendly local storekeeper will not be 7 per cent a month, but 8 per cent or more.

He says to himself: "I'll borrow the money from someone for the 30 per cent down payment" (a sum perilously close to half the salary of a "C" income bracket) "I can manage instalments of Cr 800 (£20) a month, can't I?" He also tells himself that paying over two years rather than one (since independent stores often skirt hire purchase regulations) works out cheaper. The storekeeper and the man from the finance company who sits at a desk on the premises do help the bemused buyer to sort out the fine print. They do help him to sign on the dotted line—probably giving his less-penurious uncle or cousin as a guarantor (in this market, guarantors are greatly sought after). In the long run he pays 180 per cent more than the cash price for something he might have avoided had the odds not been against him.

The odds are powerful: the down market customer lives in an environment where TV pitches its commercials loud and hard, where stores display wares temptingly and, in Brazil's tropical climate often do not have glass fronts or walls to separate them from pavements: status-symbol goods are there, under a pedestrian's nose, asking to be bought. His somewhat better off relatives in steadier jobs boast about their new colour TV, irons, radios and gadgets, and encourage him to buy one, because it will prove to his neighbours that he is "doing well."

Meanwhile, if he is a recent migrant from the impoverished north-east, where he could not even earn the national minimum, the wistful seeker of consumer goods either lives in one room lodgings with his large brood, if he is lucky, or in a hovel.

As an unskilled worker, he can probably earn Cr 3,300 or so (£82.50) plus a few social security benefits as a building labourer, and do the odd job here or there (sometimes honest, sometimes not) to supplement his income. His wife goes out to work as a maid (getting less than the national minimum of £39), or cleaner (getting still less).

He is hard-pushed to feed his family on anything other than rice, manioc meal and beans—with meat at £3 a kilogramme. With this high-starch, low-protein diet, his discernment is not of the sharpest, and his material needs are whetted by exposure, around the corner from his slum, to the sight of private cars, well-dressed people, TV aerials, and delivery boys carrying large, tempting parcels.

So, he signs himself over to small traders, collecting a group of items here, another group there, *all on the hire purchase*—then blanches when the demands pour in, or turns to crime.

Crime does not always pay: a Rio receptionist making a purchase in a suburban store noticed that the customer in front of her was trying to buy on credit. More dramatically, she noticed that the identity card he proffered was that of his "mother," and guarantor, was the one that had been stolen from her (maiden) aunt's handbag a week earlier.

With remarkable courage for a resident of a city where most criminals carry lethal weapons, the receptionist beckoned the cashier into a corner, and explained the situation. The cashier found a passing policeman, who moved in on the spurious customer. The "customer" pulled out a .38 calibre pistol.

The policeman was faster on the draw. Result, a shoot-out (as common in Rio as car exhaust pollution) and safe return of the maiden aunt's documents, wrested from the hands of the thief; who turned out to be a steadily-employed labourer whose aspirations exceeded his financial possibilities.

The authorities and, officials of bank-tied finance companies who spurn low-income clients and play safe, granting credit to establishments of repute, all express grave concern at the often tragic low income credit phenomenon that shows no signs of abating despite sporadic attempts at regulation.

Independent storekeepers, who will receive their dues thanks to a particularly aggressive system of debt collection, as long as defaulters can be traced (not too difficult if a large enough tip is handed over to a potential informer, who "has to make a living") appear not to have time for sympathy or self-regulation.

Individualists

They are independent in another sense: dogged individualists, they prefer not to be swallowed up by chains that move in with modern, centralised management and accounting methods. To stay afloat, they do business wherever it presents itself, regardless of cost and risks, while the Sr. José's of this country count their pennies, spend them wisely and even save them — something the Government would prefer everyone to do. The message the media put across, however, is more "buy" than "save." Even if you cannot afford it.

Diana Smith

Bright start for futures trading

TRADE IN the recently established coffee futures contract on the Sao Paulo Commodities Exchange has grown enough to interest New York operators, and proposed changes, particularly in soyabean operations, should quickly inject more life. Foreigners will soon be granted *permission to trade in* Sao Paulo, which will open to them this new and potentially dynamic market.

"When the Brazilian futures market is fully operational it will offer arbitrage and hedging possibilities to operators outside the country," says clearing house president Sr. Marcos de Souza Barros. A foreigner who plans to purchase Brazilian soyabeans will be able to lock in a cost price by buying ahead in Sao Paulo and at the same *time protect himself abroad* by selling futures in Chicago. With these opportunities Sr. Souza Barros expects to attract business from the world's major commodity exchanges in London, New York, and Chicago.

Sr. Jose Ulpiano de Almeida Prado, president of the Exchange, the Bolsa de Mercadorias de Sao Paulo, argues *that by hedging in Brazil*, a foreign operator will be able to cut his country risk when purchasing Brazilian soya beans or coffee. Hedging on other exchanges leaves him open to the risk of events such as a dock strike in the U.S. or Europe, which can drive a wedge between Brazilian and foreign commodity prices. The established international exchanges have recognised the convenience of a thriving market in Brazil and have given significant support to the fledgling Sao Paulo effort by passing on organisational know-how and experience. Sr. Almeida Prado and Sr. Souza Barros both believe the Sao Paulo exchange, helped by Brazil's weight as a major consumer and producer of several important commodities, has the potential to develop to worldwide significance, and they minimise the possible conflict with other trading centres because their market now has opportunities for all.

The New York exchanges, according to Sr. Souza Barros, already follow the coffee trade in Sao Paulo with daily requests for details, not only of price but also of activity on the floor. And London, he thinks, has a special interest in Brazil: "*London is worried that* controls in the U.S. will restrict trade. An active market here would provide an alternative." Moreover, London trades robust whereas Brazil produces arabic coffee, a fact which minimises potential conflict. New York, on the other hand, could see its traditional position as the dominant market for Latin American coffees threatened. "We have better volume possibilities than New York," boasts Sr. Almeida Prado because Brazil is the world's largest coffee producer and its second largest consumer. Sr. Souza Barros predicts that New York will continue to be an important exchange because the U.S. is the world's largest consumer. But he suggests that Latin American producers who believe that, to their detriment, the New York market is dominated by consumers, may come to prefer doing business in Brazil.

But such talk is of a future not yet at hand. For the time being organisers are struggling to build a strong market to serve the domestic economy. Herbert Penfield, the Conti-commodities representative in Brazil and the most important force behind the development of the Sao Paulo futures market, argues that since the country processes and consumes so much of its own coffee and soyabean crops *it is the world's* second largest soyabean producer after the U.S. Locally based agribusiness, including Brazilian farmers and multinationals, needs a futures market. Services of interest to operators abroad are a spin off.

Brazilian exporters have permission to hedge on international markets but not everyone *is eligible, and even those* who are find advantages in operating in Sao Paulo. "It is better than hedging abroad because we can take delivery, and we also avoid the exchange risk of a maxi-devaluation," says the head soyabean trader of a multinational with Brazilian crush capacity.

Limitations

But there are limitations. "The major problem is there is no real liquidity," says the trader. This complaint is echoed throughout the market by people who hesitate to take a position for fear they will not be able to get free when they wish to. Other criticisms attach the high cost of commissions and the awkward and slow warehouse and delivery mechanism. Organisers clearly recognise the problems and are working on three specific measures to bring more operators into the market and increase liquidity, but they do not want to rush.

Exchange president Almeida Prado prefers slow growth giving the market infrastructure time to adapt evenly: "We don't want rapid growth," he insists. "We don't want the *market to go to* 10,000 contracts tomorrow." The market's systems would not be able to handle such trade. The *exchange itself, the Bolsa* de Mercadorias de Sao Paulo, has been active for decades as cotton market, and although trade in cotton futures has virtually vanished over the past few years, it has valuable experience.

In April this year, the exchange introduced the coffee and soyabean futures contracts with the backing on a new, well organised, and secure clearing house. Penfield insists that the clearing house is the heart of any market and he has succeeded in establishing a solid, reliable organisation. It is *even more* conservative than those in better established markets.

Clearing house president Souza Barros explains that margin deposits, for example, are made with the clearing *house itself* rather than as is the case in London, with the members. "The clearing house wants greater control," he says. "The worst *thing would* be to have a problem now, in the beginning, and lose confidence."

Coffee is the most active commodity with approximately 500 contracts open at the end of November and trade bouncing between *40 and 50 contracts* a day. The coffee contract specifies many kilo bags of type six coffee, free of Rio and Rio zone taste, and warehoused in Sao Paulo, Santos or Londrina.

Soyabeans have been much slower than coffee to pick up steam because of the problems caused by the drought during the last crop year. Only about 80 contracts were open at the end of November, and activity *on the floor was morose.* The soyabean contract is for 60 tonnes of beans consistent in quality with the Brazilian crop in hand at the time of purchase or its immediate predecessor. Ponta Grossa, in the state of Parana, is the delivery point.

The problems depressing the soyabean industry are gradually disappearing, and Brazil is looking forward to a record 13.5m-tonne harvest which should stimulate the market at the same time, exchange officials are working on three measures to increase liquidity in the market as a whole and give soyabeans a particular boost.

The participation of foreign operators has Government acceptance, and the details, presently being prepared, should have final approval before Christmas. A second measure will create a special credit line with the Federal Savings Bank, the Caixa Economica Federal, *to finance margins.* Souza Barros expects to get low interest rates of 1 per cent a month, well below inflation which is over 40 per cent a year.

Important

This financing will be especially important to the producer. Mr. Penfield argues that with the *market for soyabeans* at approximately Cr 300 a bag, Cr 100 above the Government's suport price, there is plenty of *incentive for a farmer* to tie down a price for his future crop for fear the market will fall before the harvest. However, cash-short farmers hesitate to sell ahead because of the possibility that price increases and *rising margin calls* could force them to sell when they are unprepared. The new credit line, expected almost immediately, will give greater flexibility.

Finally, the Sao Paulo exchange will extend its hours to allow more trade while the Chicago market is operating. Souza Barros explains that many operators want to use Sao Paulo and Chicago simultaneously, but now there is only 15 minutes when the markets are open together. Frequently an operator is forced to take a position in one and remain *uncomfortably uncovered* until the other market opens, and solving this problem should allow trade in Sao Paulo to increase.

But these changes alone will not rush futures trade in Brazil *to great success.* Behind them, Penfield says, must continue the slow and dogged work of educating potential users and bringing them into the market. And further changes may be necessary to streamline the delivery and *warehousing systems* and cut their costs.

Kerry Fraser

Reducing the foreign stake in capital projects

THE PACE of growth in the capital goods sector is slowing down after a period of violent expansion. In the early-1970s this sector was *identified* as a gap in Brazilian industry and the Government actively encouraged its development, providing bountiful supplies of heavily subsidised loans.

Expansion was tremendous—and at times, chaotic. With the slow-down, manufacturers have recently been facing serious problems of idle capacity. Finally, in September last, Guilherme Hatab, executive secretary of the powerful *CDI (Industrial Development* Council) that authorises tax incentives for industrial projects, announced that the council would not be approving any more projects in the capital goods area other than in *exceptional circumstances.*

The outburst of growth has already been firmly reflected in import figures. After rocketing up from \$1.2bn in 1972 to \$3.9bn in 1977, imports of machinery and equipment, the *most important sub-sector, have* been gradually dropping, falling to \$3.1bn last year. At the same time exports have been growing, which means that the net deficit will only be about \$1.4bn this year. With the entry of new manufacturers severely limited, the sector will now pass through a period of internal readjustment, with the inevitable take-*over or bankruptcy of some of* the weaker companies.

A recent study by BNDE (Banco Nacional de Desenvolvimento Economico), the world's *largest economic development* bank, states that the number *of companies mushroomed* too quickly, leading to "diseconomies of scale." It continued: "Indeed, it does not appear reasonable that the country should have seven manufacturers of steel rollers, when Japan, the U.S. and West Germany, which are much more developed nations, only have three. In other words, it is necessary to have a certain specialisation among equipment manufacturers, correcting the present tendency of having too many manufacturers of some lines of product, as well as too many lines within the same company."

With the *expansion* of the sector manufacturers have increasingly lobbied the Government to try and push through *new policies more in line with* the country's present stage of development. Numerous local businessmen have criticised the fact that a substantial proportion of foreign financing comes in the form of suppliers' credit. They maintain that it is absurd for the over-burdened country to contract even further foreign debts to import equipment that local manufacturers, with half-empty order books, are all too anxious to produce. Many businessmen would prefer a slower pace of *development* of the huge new projects, provided that local industries were given orders for all the equipment that they were capable of producing.

In some cases the businessmen have successfully pushed through changes. After protests, the share of equipment for *the third stage of the steel* expansion plan, which has just begun, was pushed up to 65 per cent as compared with 25 per cent for the second stage five years ago. Brazilian companies are now winning 80 per cent of the equipment orders from Eletrobras, the State company that co-ordinates and to some extent carries out the country's energy programme. Five years ago, their share was just a fifth.

The most famous case concerns Acominas, the new steel mill in the state of Minas Gerais, where the Government was forced to renegotiate part of the \$500m loan from a European consortium of banks *so that the local manufacturers'* share of equipment orders could be increased from 40 to 50 per cent. More recently, after a *prolonged battle, manufacturers* managed to squeeze from the Government the concession that their share of equipment order for the \$2bn steel mill in Tubarao be increased from a third to a half.

However, many businessmen are thoroughly dissatisfied with the present set-up by which they are not consulted in the formulation of important national projects. Rather than fighting for later alterations, that do not modify the essence of the project, they are demand-*ing the right* to participate from the beginning.

The Tubarao mill is an excellent illustration, for most businessmen were not merely lobbying for a greater share in equipment orders but were also pressing for a radical reconsideration of the whole *enterprise—one which they* consider an inexplicable and unforgivable extravagance since it will produce semi-finished steel that will not be required for local consumption and faces very poor prospects on the world market.

Even Procopio Lima Neto, planning director at BNDE, recently commented: "From an economic point of view the project is a very bad mistake. But the decision was basically political and I am not going to talk about politics." The director is believed to have been referring to President Geisel's personal commitment to *the project after his visit to* Japan in 1976.

Despite the outcry the project, which is being carried out with Japanese Kawasaki Steel and Italy's Finsider, is going ahead. An agreement for a \$700m loan for the mill was signed with a consortium of 22 Japanese banks at the end of October.

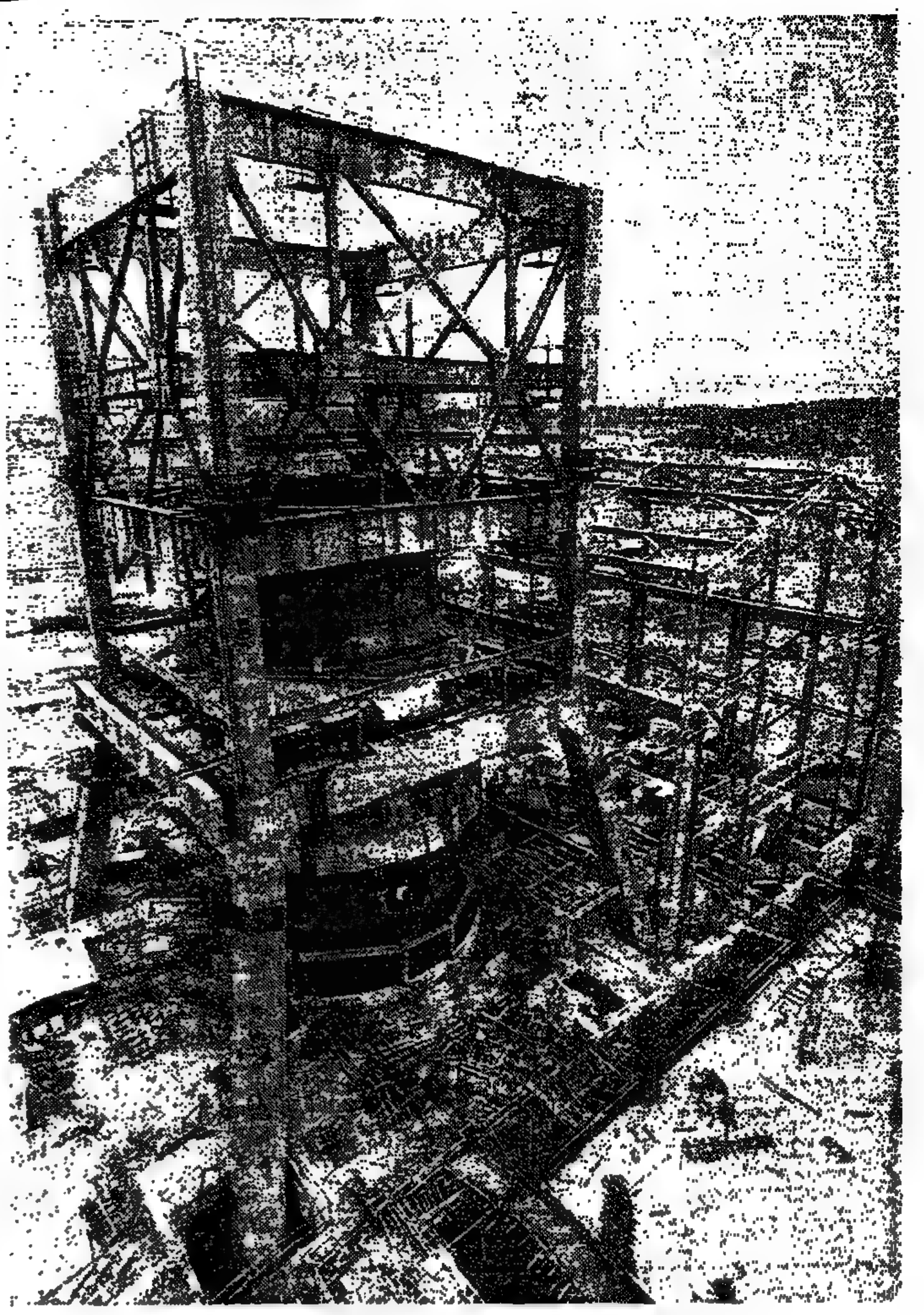
The fact that the present political regime, which concentrates great power in the hands of a tiny ruling elite, can readily lead to extremely unfortunate and highly expensive blunders such as the Tubarao mill and the German *nuclear deal* has led the business community to demand a more accessible and more representative *form* of government.

In the middle of the year eight Sao Paulo businessmen, who had been elected as spokesmen in an opinion poll among businessmen organised by the newspaper Gazeta Mercantil, published a statement in which, after a critical analysis of Brazilian society, they said: "We are convinced that the economic and social development of which we are thinking is only possible in a political system that permits the participation of all." The signatories included three leading names in the capital goods industry—Claudio Bardella, Paulo Villares and Antonio Ermirio de Moraes.

A restructuring of political power would also be necessary to solve another key problem. The BNDE study commented: "The total dependence on foreign technology is the biggest obstacle now facing the capital goods sector." Many of the big names in the sector are subsidiaries of foreign companies. With the head company's products at its disposal, none of these companies is interested in developing new technology. For many local businessmen Brazil has swapped an earlier dependence on imported goods for an equally dangerous reliance on imported technology.

Sue Branford

Acominas the key element in steel production



The Acominas blast furnace under construction

IN LATE 1979 Aços de Minas Gerais, commonly known as Acominas, will start up its first blast furnace. The $3.455bn venture—destined to be Latin America's largest steel works—is located in Ouro Branco, once an isolated hamlet in the south of iron ore-rich Minas Gerais State, now the centre of an enterprise that covers 1,000 sq km: 10 sq km of factory area, the rest allocated for housing estates for workers and staff, schools, hospitals, shopping centres and recreational facilities, a dam and reservoir that will provide water for the mills, access roads and railway branch lines.

In its early years, Acominas will operate with one blast furnace, producing 2m tonnes a year of steel structures and heavy or medium sections for industrial construction (factories, dams, pylons, viaducts, railway works, etc.) or home building. Industrial construction is expected to absorb 80 per cent of output.

Should market conditions warrant it, expansion plans allow for a total of four blast furnaces with an annual output of 10m tonnes. Output is destined, by substituting imports, to save $1.2bn in foreign exchange in five years of production. Indeed, Acominas is a key element of Brazil's national steel production programme whose target is 15m tonnes a year by 1980 (current global production is about 12m tonnes).

This global target was cut from the original figure of 20m tonnes a year conceived in 1970, when Brazil's economic growth raced ahead at 10 per cent per annum. In the wake of the oil crisis and its impact on Brazil's balance of payments, the State-run steel agency, Siderbras, has slowed down the expansion plans of some existing State-run steel mills, but Acominas has been left virtually intact, since it fills an important production gap catering to the construction market and supplying basic materials for enterprises that must keep pace with Brazil's population explosion (from 90m to an estimated 120m people in less than 10 years), providing new factories, electrical supplies, roads, railway facilities and housing.

Acominas is Brazilian in overall plans—conceived and administered largely by graduates of the country's most efficient existing State-run steel works, Usiminas (also in Minas Gerais) which was built and is now run with the close co-operation of Nippon Steel.

Design, supply, construction and financial backing for Acominas' key equipment, however, is almost entirely European, masterminded by Davy Ashmore International LT, which will supply £230m worth of the £250m of equipment ordered from British concerns. This involves about £175m of direct British exports—some content will be made either by Davy subsidiaries in Europe or in Brazil.

The Davy Ashmore-supplied and supervised package of British, West German and French equipment is backed by a 505m Eurodollar loan managed by Morgan Grenfell. On top of this come suppliers' credits of some $620m mostly from British, German and French banks with a $72m credit from the Export-Import Bank of Japan for the Japanese contribution to Acominas' gasometers and boilers.

Thus the lion's share is for Britain, Europe (while Brazilian capital goods manufacturers or civil constructors are responsible for 30 per cent of Acominas' key equipment or structures): is a new departure for Brazil's steel authorities emerging from a new form of approach by Davy Ashmore.

According to Mr. Alan J. Collinson, director of Davy Ashmore and project director for the foreign contribution to Acominas, Brazilian negotiators from Sidebras or Acominas itself, had an exceptionally-clear idea of all details and prices of the equipment they wanted. Thus, Davy negotiators, from the outset, proposed an equally detailed package of design, supply and construction, spreading the equipment manufacturing onus from their own plants to internationally-renowned British, German and French concerns (thus reducing risks of over-commitment or delays), and from the start, guaranteeing financial backing for their proposals from the Morgan Grenfell-led Euro-loan.

Also, Davy Ashmore proposed—and Acominas accepted—that it would supervise all European design, manufacture and construction package with a progress-chasing task force, originally set up in Stockton, but now transferring to Belo Horizonte, capital of Minas Gerais State, as key equipment and components arrive faster.

This international, tightly-organised approach led to the signing of a memorandum of understanding in May, 1976, and the start of construction work remarkably quickly.

Indeed, Mr. Collinson, who admits to unfond memories of project management for Davy operations in other foreign countries, is full of praise for the speed and effectiveness of Acominas' decision and co-operation.

He is also encouraged by the eagerness of Acominas' staff to avoid bureaucratic tangles that often make Brazilian giant projects a nightmare. "We have built up a relationship of exceptional trust," he says. (This is not common to Brazilian-foreign joint enterprises, which can suffer from differences in attitudes and difficulties in communication that fall beyond language.)

While Davy and its European partners in the package are busy manufacturing, and now assembling equipment on the site, Acominas' directors are attempting to renegotiate repayment terms of their foreign credits.

This is part of Brazilian Government policy for State-run enterprises that have taken large foreign loans in recent years—aimed at reducing the impact on the services account and balance of payments in the next three or four years.

Current Acominas repayment terms are between five and seven years (with 30 months of grace): the hope is to secure six years of grace and six for repayment, with spreads adjusted to market rates (they now range from 1¾ to 2¼ over Libor, depending on the nationality of the bank) from the date of delivery of each tranche of the loans or credits is now guaranteed. Delivery of tranches began in 1977, and will end in 1980.

Acominas' directors also hope that, having established their reputation with the Government for strict obedience to schedules and budget forecasts, they will not have to defer start up because of cuts in Brazil's overall steel budget in 1979 (pared from some $4.5bn to $3bn) of which Acominas' budget alone accounts for $1.45bn.

While work continues so rapidly that the blast furnace, now rising to half its eventual height of 100 metres, is ahead of schedule, only persistent, heavy recent rains are causing technical headaches, slowing work on the dam destined to supply the water for the mills. Engineers now hope that St. Peter held by all Brazilians to control the weather will be less unkind.

Davy Ashmore itself is designing supplying the blast furnace, designed to produce 5,300 tonnes a day of hot metal, while Woodall Duckham (a Davy subsidiary) is designing and supplying the two-battery, 53-stove coke ovens. The continuous billet mill is designed and supplied by Davy Loewy (Europe). It will produce 2m ingot tonnes annually of bloom, billets and slab. Acominas' sources indicate they would like to export part of the slab to offset the part of cost of imported coal (Brazilian high ash coal is unsuitable for top quality steel).

Furthermore, Davy Ashmore, in association with the British Steel Corporation's subsidiary Redpath Dorman Long, is designing the rolling mill building structure.

The structure will use 400,000 tonnes of steel—half of it imported from the UK—meanwhile Cryoplants of Great Britain is part-contributing to Acominas's oxygyn plant, and Babcock of Great Britain and Fives-Lille of France will supply the ore yard.

According to Davy Ashmore, the British share of the Acominas package represents 22,000 man years of employment for the UK.

Davy now has 30 people working in Minas Gerais, commuting daily between Belo Horizonte and Ouro Branco until they move into on-site accommodation, with their families, early next year.

Acominas's steel making plant, designed by Usiminas's design department, is partly-supplied by GHH of Germany, while Germany's Ferrostaal and France's Secim-Alsthom have joined forces in the heavy and medium section mills. Secim Alsthom are responsible for the blooming mill, and Stein Surface of France will supply soaking pits and reheating furnaces for the heavy and medium section mills.

Thus, Mr. Collinson feels, everyone has had a fair deal: to get the contract, Davy quoted an exceptionally-reasonable, but not uneconomic price, thus benefiting Acominas, while British, German and French equipment manufacturers benefitted from a large order in a time of steel crisis in Europe, and from concerted Brazilian efforts to smooth the way for them.

"Acominas won't be the biggest steel works in the world," Mr. Collinson says, "but it will be an exceptionally modern and efficient operation—and it's exciting to be part of a brand-new concept, for us and for Brazil, in a state like Minas Gerais, which is forging ahead with development."

Indeed, while Acominas's contribution to the national steel programme is vital, its impact on Minas Gerais State is even more important. It will act as a magnet, drawing spin-off industries not only away from over-industrialised Sao Paulo and Rio de Janeiro States but from the increasingly-factory-packed surroundings of Belo Horizonte, into a once-forgotten area, dotted by iron ore and other mines.

At minimum transport cost, it will draw on Minas Gerais's ore, thus providing a tame market for State-owned or private mining companies and, in full operation, contribute some $100m a year (on $1.1bn sales) to Minas Gerais tax coffers. It will provide direct jobs for some 6,000 workers, as well as decent housing for them and their families only a few miles from the mills, whose fumes and waste will be controlled by sophisticated methods of pollution control.

It is, in fact, a key part of an ambitious Minas Gerais industrialisation programme that has already attracted international giants like Fiat (car production and foundry), Krupp (mining and manufacturing), Mannesmann and others earning this State the title of "most dynamic developer."

D.S.

Threat to Indian survival

"THE PROJECT for the emancipation of the Indian is a sophisticated act of genocide. Taking away the Indian's collective right to their lands is the equivalent of the death penalty. The Indian cannot live without land. If this project goes through, the Indian will be exterminated, without there having been any need for hands to get dirty or resort made to arsenic or weapons." This passionate outburst by Dom Thomas Balduino, Bishop of Goias Velho and president of CIMI, the Catholic Church's Indian Missionary Council, has been one of many shocked reactions by anthropologists, priests, lawyers, students and others to the Government's Indian emancipation project. Even "*Sertanistas*," known for their moderate political position, such as Orlando Villas Boas, founder of the famous Xingu Indian Park, have come out firmly against the proposal.

The project, which has been presented in the form of a decree law so that it can be passed without discussion in Congress, was drawn up secretly, apparently without consulting any of the groups working with the Indians apart from Funai, the official Indian National Foundation. Although the text was finally published in mid-November, President Ernesto Geisel has not yet signed the decree—which leads some anthropologists to the tentative hope that the Government is wisely having second thoughts.

The project appears innocuous on a first reading, particularly as it is peppered with phrases of good intent with respect to future assistance to the Indian. It provides for the "full integration" of the Indian into Brazilian society, with the eventual abolition of the special legal status at present enjoyed by Indians which exempts them from certain obligations placed on ordinary Brazilians.

According to Carmen Junqueira, a leading Brazilian anthropologist, the sting comes in the tail, as the last few articles state that, on emancipation, the Indians' lands return to the Government. Once emancipated, Indians could thus be divided into families and treated as ordinary settlers, with the right to a small plot of land for farming. The annihilating impact that this would have on the Indians' rich communal life style is self-evident.

Government officials have said that emancipation will permit Indians to reach the highest posts of the land, "even becoming generals and presidents," according to the Minister of the Interior, Rangel Reis. It is clear, however, that without any preparation for life in modern Brazil the Indians will be "integrated" at the lowest level—as rural workers, beggars, even prostitutes.

Deceptive

A leading Sao Paulo lawyer, Dalmo de Abreu Dallari, put it succinctly: "Legal equality will lead to economic inequality." A few Indians are themselves aware of the deceptive nature of the project. Aniceto, "cacique" (chief) of a group of Xavante Indians in Mato Grosso, commented: "We can't be emancipated if we haven't a trade. We don't understand the white man's way of life."

Protests about the project have also flooded in from abroad, coming from, among other quarters, the French ethnologist, Claude Lévi-Strauss and the British organisation, Survival International. William Sturtevant, curator of the Smithsonian Institution in Washington, has compared the proposal with the Daves Laws passed in the U.S. in 1887, which divided up the Indian reserves into individual plots. In 1950, after the Indians had lost two-thirds of their land, the law was repealed and the policy officially recognised as disastrous.

As in the case of the U.S., the new project is a legal means by which a vigorous emerging economy can eliminate an older way of life which is proving an obstacle to expansion. The rapid occupation of the Amazon region over the past decade, with the construction of huge roads, the setting up of large cattle ranches, the development of mining projects and the building of hydroelectric power stations, has increasingly hemmed in the Indians, forcing them into reserves or driving them further and further inland. The project will be a legal weapon with which to obtain access to Indian lands that were not incorporated during the first wave of occupation.

The pace of change in the extreme north is so fast that, without time to make the transition, most Indians are being wiped out. The case of the Cinta Larga, the Surui and Arara Indians, in Aripuana reserve in Rondonia in the extreme north-west of Brazil near the frontier with Peru, is typical.

After pressure from cattle and mining companies their reserve was halved from 3.6m to 1.7m hectares—a move which paradoxically left most of the Indian villages outside the boundaries. Some of the Indians made their first contact with "civilisation" through construction workers on the roads. Now some of the Cinta Largas are working as under-paid rural labourers and a few, still unable to speak Portuguese, are already suffering from venereal disease.

The situation of the Yanomani Indians in Roraima, on the border with Venezuela, is no less dramatic. These Indians, of whom there are about 12,000, had only sporadic contacts with outsiders until 1974, when construction began on the Perimetral Norte, a huge road of geopolitical importance, that is to span Brazil's frontier in the north like an enormous arch. Construction has been temporarily suspended for lack of funds, but not before over a quarter of the Indians from the groups in contact with the construction teams had died from disease epidemics.

As cassiterite has been found in the Sucururu mountain range in the heart of the Indian area, the big State-owned mining company Companhia Vale do Rio Doce will be setting up a mining project, including an air-lift, to take out the ore. The only hope of survival for these Indians is a large well-defended Indian reserve, to be set up immediately.

For the Indians further to the south, destiny has been a little less cruel. Slowly establishing contact with white civilisation 20 or 30 years ago, when the pace of change was much less rapid, these Indians—or rather the survivors, for the death rate from disease has always been high—have gradually built up a healthy resistance to the initial lure of the white way of life. Indians such as the Gravani-Kayova in the south of Mato Grosso, while maintaining friendly attitudes to outsiders, greatly value and staunchly defend their own way of life.

Overcoming age-old hostilities, Indians with this experience are beginning to hold inter-tribal assemblies in which, as the result of the growing awareness of the seriousness of their predicament, they are starting to organise action around a common and fundamental problem—the defence of their lands. It is precisely these Indians who could be most hurt by the emancipation project.

Crucial

Although an improvement has occurred in recent years, Funai has not supplied the Indians with adequate support in the crucial area of land demarcation. The Statute of the Indian passed in 1973 planned for all authorised Indian reserves, covering about 50m hectares of land, to be completely marked out by the end of 1978, but Funai has only managed to achieve a third of this target.

The pressures on Funai are great, particularly as it inappropriately attached to the Ministry of the Interior, a sector of government that is dominated by hard-headed technicians with little sympathy for the Indian cause. A large landowner in the Amazon admitted that he and many others systematically complain when a reserve is being marked out. "By sending a deputation consisting of friends of ours to complain to the Ministry of the Interior we can often get the size of the reserve reduced, in practice, if not on paper," he explained.

Funai's constant excuse — lack of funds — is rebutted by anthropologists, who maintain that much greater results could be obtained with the available resources, if Funai were really committed to the Indian cause. None the less it should be pointed out that in 1976 the Government authorised the outlay of Cr280m ($26m) in tax incentives to just one cattle ranch, Suia-Missu, which is owned by Italian Liquigas and is the largest of the 357 ranches that are being set up in the Amazon region with public money. The amount was more than twice Funai's budget that year.

The long-term future for the Indians is bleak. What is occurring is a head-on conflict between Brazil's bouncing vigorous economy, out to bring into productive use all available land and labour, and a radically different culture where work is seen as an end in itself, not as a means of making money, and where natural resources are harmoniously protected and renewed in an essential ecological balance, not despoiled in the competitive quest for quick profits. The Indians are clearly the much weaker side in this tussle and are doomed to extinction unless firm — but highly unlikely — measures are taken by the Brazilian Government in the near future.

Sue Branford

Stock markets in good health

The Brazilian stock markets are stumbling under the weight of 40 per cent a year rate of inflation but they are basically healthy institutions which have evolved significantly under the Geisel Government. None the less they are still young and in need of further development, even if the framework is there for a strong bullish performance in the medium term. Those days, however, will only arrive when the economic horizon clears.

The near prospect is not especially promising, though there are bright spots. Second-line companies have done considerably better than the blue chips, and for all its laziness the market has managed to support a relatively large number of new issues this year. A $35m offering, the largest in Brazil's history, is just now going into the market, supporting to the claim that although it still handles but a small fraction of Brazil's total savings, the capital market, including the stock exchanges, is developing into an important part of the Brazilian financial system.

One of the brightest spots is the performance of the institutions established to bring foreign investment to the Brazilian capital market. Investors abroad who bought into these funds during their almost three and a half years of existence have found their capital has on average returned more than investments in European and North American markets.

Unibanco, a large Brazilian financial conglomerate and one of the most active investment fund administrators, is now canvassing potential clients in Britain and on the Continent, and if the response is sufficient it will quickly offer a new issue.

Five funds, each having raised $2m or more, dominate the scene and have brought close to $55m to Brazil. Total foreign capital invested in the funds altogether reaches about $560m when the 10 or 50 smaller funds are included. Unibanco administers three of the more important names: Robrasco, the biggest in Brazil, has raised $15m in Rotterdam, Brazil-Vest $58.9m in London, and Brasilinter $52m in Paris.

Unibanco director and vice-president Julio Cesar B. Vianna explains that participation in the funds is restricted to companies; individuals can enter only indirectly. His most important clients are institutional investors such as insurance companies and investment and pension funds. Unibanco has three funds—"We would be happy to have many more"—to give freedom to tailor them to suit the needs of clients willing to invest $52m or more. Together they determine investment policies, and having only two owners cuts the cost of administration, particularly simplifying the process of raising new funds. Brasilinter, in the same way, is owned by the French investment fund Sicav.

Involved

Brasilvest, however, has 19 shareholders from England, Scotland, Ireland, France and Switzerland, and with so many involved new issues are complicated and expensive. "The advantage of having so many shareholders is that it creates a large investment potential," says Sr. Vianna.

The Brazilian authorities are considering regulation changes which should make the funds more attractive. Vianna is expecting repatriation procedures to be simplified, cutting the investment period from five to a minimum of two years and abolishing the rule which forces capital withdrawals to be parcelled over two and a half years.

He predicts such changes will please foreign investors but warns that other and more deep-rooted problems will have to be solved before the investment funds become really dynamic. "Investors are not increasing their stake because of Brazil's economic problems like the balance of payments deficit, the spectre of a larger devaluation, slow growth, and doubts about the political and economic situation.

Despite these problems, the performance of the funds has been strong enough to encourage investors. Over the year beginning October, 1977, the Dow Jones average slipped 1.3 per cent and the Financial Times Index lost 6.7 per cent, according to Unibanco data, but Brasilvest, the strongest performer of the five big funds, gained 29.6 per cent in dollars. Brasilinter added 24.1 per cent to its value, and Robrasco, the slowest performer, 3.7 per cent. "This is especially good considering it was a bad year for the market," says Vianna.

Buoyed up by high expectations based on declining inflation and a small trade surplus in 1977, the market began 1978 with a boom. Bovespa, the Sao Paulo Exchange's index, climbed 11 per cent in January and another 8.8 per cent in February, but fell back 1.7 per cent the following month and lost another 6.8 per cent in

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Sunny setting for the expatriate

SAO PAULO City is the linch-pin of Brazil's industry and private banking, the Turin or Detroit of South America, aggressive, fast-moving, more cosmopolitan than is apparent at first sight. Prosperous residents make time for good food, the arts and lively conversation. But pollution stings the eyes and lungs, and the city's contours are harsh and grey.

Brasilia, the capital city, must be visited by the foreign executive because ultimate political and economic power lies there. But Brasilia is a new city acquiring a personality—the place you call on, do your deals in, and leave after a day or so.

Rio de Janeiro, third point of the triangle of Brazilian business and power, is the ex-capital, still a hive of finance, industry, trade and a handful of State-run concerns which have not yet moved to Brasilia.

Rio styles itself the "marvellous city." Its detractors call it "No Man's Land," where everyone originates from somewhere else inside or outside Brazil, and like Candide cultivates his garden ignoring the well-being or tranquillity of others.

Rio is both marvellous and awful. Its marvels—beaches, handsome scenery, sunshine virtually all year round—are accessible to rich and poor alike, but better appreciated by those with high salaries and the *cushions* these provide from urban blight.

These cushions are readily available to a foreign executive, and his family, living on a good basic salary plus perks—rent, car and children's education paid by the company, and other allowances.

This permits residence near a beach or high on a hill in Rio's southern zone, location of famour beaches like Copacabana, Ipanema and Leblon, and other boroughs of less familiar names but equal beauty. With local rents starting at the equivalent of £400 a month for a reasonable flat and soaring to whatever the taker will pay for a penthouse with a view so dramatic it requires suspension of disbelief to accept it, it is clear Rio offers its best to the best-paid.

Italian executives doing a stint for their companies in Rio are often scathing about the place. "I can get beaches and sun at home, not to mention better food and more amusing company," is a frequent comment.

But the expatriate from Nordic climes Rio is tantamount to a Mecca. *Passion for the city* appears to increase in proportion to the dullness of the life he led back in England, Sweden or Germany. A middle-ranking foreign executive in Rio generally claims greater satisfaction *with his work and personal life* in this tropical haunt than in his homeland.

A young Englishman, fair hair streaked fairer by the sun, face free of the frown often seen on a Londoner's features, summed it up: "I love the weather. I love the life style. *I've never been healthier, my* kids have never been healthelr. At home I had to listen to them hacking all night with bronchial coughs, here they run around half-naked and stay brown all year round.

"I have a smashing flat with a view of the lagoon. My wife *doesn't have to wash nappies or* do housework. We have a nursemaid and a maid. I sit on my terrace with a vodka and tonic in my hand and I think: 'Who *wants English colds*. English taxes and English stuffiness?'"

Some foreign executives work for Brazilian concerns. They earn high salaries but do not have the perks of the man sent from England or the Continent. But few complain. They are often in more privileged positions, *as far has high-level* contacts with Brazilians are *concerned*, than the executive of a foreign concern.

They enjoy being "where it's all happening," and since Brazilian taxes are, by their reckoning, "more than reasonable," they can spend their money the way they choose. It is hard to find one who has ideas *of giving up his Brazilian job* and returning to work at home —or retiring.

Some invest their savings in a mountain retreat high in the "Range of the Organs" (whose shapes justify their names) in the interior of Rio de Janeiro State, retiring there at weekends with *family and friends to* rest, play golf or garden—all extra *cushions from* the pressures of high-level business.

Pressures

These pressures are manifold. Information vitally needed to make decisions must be chased personally. Up-to-date printed *data*, especially on financial matters, is not as readily available as it is in other countries. "Constantly updated, personal knowledge of the market and men operating. It is only achieved by hard grind—for example in the face of Rio's maniacal telephone system (likely to go silent in the middle of a crucial conversation and remain so for hours thereafter). But most exhausting of all is Brazil's bureaucracy, an institution as amorphous and omnipresent as the extraterrestrial *monster in the* "Quatermass Experiment," sprawling into every nook and cranny of city or State life.

Some relief is provided by that essential Brazilian institution the "Despachante" or dispatcher, the man who stands in queues, knows which window *in which Government office to go* to first (not fifteenth time round after 14 *false starts* and redirection) and with palms to be massaged with beer money, the man who gets customs clearance in three weeks, not months (or *years*), *licences granted*, permits stamped and manifests approved.

Dispatchers costs money—the sum rises in relation to the complexity of the transaction (and the number of officials to be dealt with)—but the choice lies between paying up or losing *one's sanity*.

What a dispatcher cannot do *for the harassed executive* is sign the regulation size forms in quadruplicate, quintuplicate or infinite multiples. Thus in Brazil writer's cramp is intrinsic to doing business or being authorised to do it.

Brazil's paper mills, at least, need have few worries about *their future. One Brazilian* steelworks calculated it took 3,400 (different) signatures and reams of paper to complete its expansion programme—and that this programme could have been completed in one third of the *time had the red tape been less* suffocating.

Brazil's bureaucracy can cause stop-go syndromes in foreign executives. They make decisions at normal speed then have to wait on a telephone call suspended by a forgetful secretary, sit on "hold" waiting *for the message to get through* hordes of civil servants and mountains *of forms*, hundreds of stamps, initials and signatures. Anybody in the import or export trade, hamstrung by thousands of pieces *of legislation and several times that* many bureaucrats employed to implement it, will find himself stopping more than going. Were he in a colder climate he would probably turn to drink to buffer the "thousand natural *shocks*."

In a tropical climate, however, heavy drinking is best left to those with exceptionally *strong constitutions. Most long-*suffering executives opt for healthier outlets. Many rise with the dawn (about six am half the year and five am the other half) and join growing numbers of joggers on the beach. *This helps to condition* them for the traffic jams they *must face to get to work*.

The jams do not cause un*relieved suffering* for the first half of his trip from the southern beaches to the business centre, the motorist executive can count on spotting flocks of replicas of the "girl from Ipanema" immortalised in song. "*I'm used to the traffic*," one executive said, "but the day I *get used to all those beautiful* girls I'll know it's time for me *to pack it in*."

The girls come in two species; available, unhampered by the Victorian standards still imposed by many Brazilian families on their daughters—or for looking at only unless intentions are fully honourable. Latter-day Victorians wear *scraps of clothing as minuscule* as those of the non-Victorians, on or off the beaches, which tends to confuse some of the newly arrived young bachelors (or married temporary bachelors *for* that matter). But with time they all adjust.

For decades young foreign *males have been taking to themselves Brazilian wives and pro*ducing children with *English, American, French or German* surnames who speak their father's tongue with thick Portuguese accents—an indication of both honourable intentions and ability to adapt to *local customs*.

It is not always easy for a foreigner, even if he works with Brazilians, to slot into Brazilian social life. Access is smoother if he makes the effort to learn Portuguese. Though many *Brazilians speak good English* or French, they will often use a foreigner's willingness to learn their tongue as the acid test of his acceptability.

They will use other tests—for example, the degree of sympathy *with which a foreigner* attempts to learn about Brazilian history or customs. It is safe to say that the less effort a foreigner makes, the less effort Brazilians correspondingly make, despite their spon*taneous friendliness*.

Sincere

Even those who make sincere efforts have not, however, found it easy to make close Brazilian *friendships as opposed to* pleasant acquanitances. Many couples have found that only when their children start making Brazilian school friends does something closer than cocktail party small talk develop *with other childrens' parents*.

The cacktail or dinner party, costume *ball* or *nightclub* circuit is a pleasure or a curse depending on temperament and tastes. Rio's moneyed circles are unusually status — and gossip column - conscious. Ostentatious rivalry between hostesses is sometimes fiercer than business rivalry between husbands.

Those who prefer quieter lives, concentrating *on sports*, relaxed with friends or an occasional outing to a cinema, concert, or football match—but who for business reasons must attend a fed of Rio's incessant gatherings—tend to dismiss *socially hyperactice circuits* (either foreign or Brazilian), as "*facile*," "*pretentious*" or "silly." They detect a strong element of insecurity in habitués whos econversation centres on vicissitudes with servants, country club scandals, and other superficialities which, as one *non-habitué put it*, "*Those* blokes couldn't even afford back home."

Some executives complain that it is virtually impossible to hold a serious conversation even at a small gathering. "It's as if people were running away from their origins—as if they were in carnival costume and grease paint all the year round, scared *to stop samba-ing because* they'd have to face less glamourous truths." One disgrutled young foreigner said.

There is a strong tang of Southern California—Hollywood, Beverley Hills, Malibu Beach—about Rio de Janeiro. It caters for the upwardly mobile migrant, rewarding hard work with material pleasures, providing the sunny backdrop for newly-manufactured personalities, never asking where you went to schol or what your father did for a living. It also *measures you by your latest success*—or failure.

D.S.

Stock markets

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April. Since then the index has been *on a roller coaster* and by the *end of* November last was 8 per cent lower than in November, 1977.

Julio Krauspenhar, manager of one of Brazil's top-rated investment management companies, the Bank of Boston's Boston 511, blames the resurg*ence of inflation*, the growing trade deficit and the unsteady performance of the economy as a whole. "The rate of growth of profits has been very low," he reported. "From mid-1977 to mid-1978 it was the lowest in 10 years, and in real terms there was negative growth."

On top of these problems disturbances peculiar to the market hindered performance. The Government delayed the disbursement of resources *to* the big fiscal funds, the backbone of the market, *and the* recently created institutional investors, *the pension funds*, have not invested as much as expected. Moreover, investors had to adjust to the new corporations law which, among other things, redefined profits so that companies appear to be less lucrative than under the old accounting rules.

"But," Mr. Krauspenhar warns, "the Bovespa index is misleading because it is dominated by blue chips. Companies in the second *line* have done much better." Bovespa's index of blue chips fell by 5.6 per cent between January and October, but its index comprising only second-line companies gained 44.2 per cent during the same period.

Another factor depressing the market from the investor's *point* of view is the number of new issues. "Subscriptions have been above what was expected and that weakens the market," complains Mr. Krauspenhar. But from the companies' point of view the market is becoming a more important source of capital. A priority but *often un*appreciated arm of Geisel *Administration policy* has to to promote the capital market as a source of company funding by directing money to investment in shares, by reforming the antiquated corporations law, and by creating the Comissao de Valores Mobiliarios (CVM), a market watchdog similar to America's Securities Exchange Commission.

A Sao Paulo stock exchange source says: "The market has changed tremendously over the past four years. It is now dominated by institutional investors instead of individuals, and a lot of money *is being* directed by law through them to *the market* and *on* to companies." He considers the cre*ation of the* CVM an important step in regulating the market and points out that the new corporations law is aimed almost in its entirety at protecting the minority shareholder.

As a result of the Geisel policy the market has been given great potential as a source of *capital for companies and as an* alternative field for investors, whose interests are now better protected. An executive of the lobby representing companies listed on Brazilian exchanges told the Financial Times that over *the last two years there* has been an appreciable im*provement in the market as* a source of funds. However, interest has been restricted mostly to Brazilian companies.

Some multinationals have of course gone to the local capital market for financing. Companies such as Souza Cruz, the British-American Tobacco subsidiary, Anderson Clayton SA, daughter of the American agro-industry giant, and Ford do Brasil have had their shares traded on Brazilian exchanges for several years. But by and *large multinationals have shied* away. However, the $35m shares and *convertible debenture* issue at the end of November indicates that the market may be mature enough to merit the interest of multinational financial managers.

This large new issue was from Vibasa, a subsidiary of the Villares group, one of the top-ranking Brazilian-owned industrial complexes. It consisted of $15m in preference shares and $20m in convertible debentures, *all covered by firm subscription* agreements. Villares itself took half the shares. Notwithstanding this demonstration of strength, the capital market still plays a small role in the Brazilian financial system, and the *Geisel effort has equipped* it more with potential than real force.

Roberto Teixeira da Costa, *chairman of CVM*, identifies inflation as the capital market's number one enemy. Not only does it decimate real profits; it also pushes interest rates on alternative investments sky-high. At the end of November certificates of deposit were earning 53 per cent per annum. "Why risk your capital when you are guaranteed such returns?" a Sao Paulo exchange source asked rhetorically.

The capital market, including the stock exchanges, will languish until Brazil gets control of the serious problems disturb*ing its economy*. When that happens it will be capable of *strong* and rapid *growth* that may, as in 1970-71, end up in a runaway boom.

Kerry Fraser

Itaipu project still on schedule

SINCE 1940, Brazil has been doubling its electricity output every seven years, a feat rivalled by very few other countries. Brazil now produces about 24m kW, of which over four-fifths comes from hydro-electric power stations. About three-quarters of this energy is consumed in the south-east region of the country, where the country's "industrial triangle" (Sao Paulo-Rio de Janeiro-Belo Horizonte) is situated. The Government plans to keep up high growth rates, reaching an installed capacity of 57.8m kW by 1987.

The cornerstone of Brazil's strategy for continued industrial growth is this abundant supply of energy. The country is fortunate to possess an enormous hydroelectric potential of at least 180m kW. However, well over half of this potential is situated in the Amazon basin, and at the end of the last decade it appeared that Brazil would encounter very serious technical problems in its efforts to bring this energy south, as it will have to be carried distances of up to 2,000 km. Along with geopolitical and military considerations, this concern pushed the Government into hastily signing a disastrous nuclear agreement with West Germany which is being increasingly attacked in the Press. The eight nuclear reactors planned would have provided 10m MW altogether, but it increasingly appears that only a few of them will actually come on stream.

At the time Brazil's scientists, who were not officially consulted, pushed for the Government to put off any important decision about energy diversification for a few years, taking advantage of the breathing space provided by the huge Itaipu hydroelectric power station which is being built in collaboration with Paraguay on the Parana River in the south and will be the most powerful dam in the world.

As was foreseen, the problem of electricity transmission is gradually being solved. In 1982, with the completion of various hydroelectric projects, the whole country should be linked in one electricity system, extending from Belem in the Amazon basin 4,300 km south to Porto Alegre near the border with Uruguay. This will be one of the largest single systems in the world and together with development of direct current transmission it is exploding the myth that it is impossible to carry energy long distances.

The Itaipu project, which will have an installed capacity of 12.6m kW, will certainly give a big boost to supply, increasing it by over a third. The project is on schedule despite a two-month delay at the beginning of the year, and at the end of October the President of Paraguay and Brazil watched the blasting of the coffer dams to open the deviation cut through which the Parana River is now flowing to allow for the construction of the dam on the river bed. Foreign engineers, working on the site, marvelled at the recovery of time lost, commenting that such a feat would have been impossible in Europe where workers would not have accepted the very long shifts or the lax attitudes towards safety.

Cheapness

There are about 28,000 workers on the site, a third of whom are Paraguayans. Illustrating graphically the continuing cheapness of South American labour even in a relatively developed country like Brazil, an American engineer calculated that a similar project in his home country would only employ about 15-16,000 men.

The 18 turbogenerators will be supplied by a consortium of Brazilian and European companies, including Brown Boveri, Siemens and Voith, which won the $707.1m order in July. The proportion of the equipment to be manufactured in Brazil is high—81 per cent of the turbines and 80 per cent of the generators. This reflects the great strides made by Brazilian industry since the mid-1940s, when the first hydro-electric power stations were installed and all the equipment had to be imported.

Half of the generators will be producing energy in 50 cycles, European-style, to suit Paraguay's needs while the rest will be suppled at 60 cycles, to be used in Brazil where the American model was followed. As Paraguay will be selling most of its share of the energy produced to Brazil to pay off the large loan it made to pay for its share of construction costs, Brazil originally wanted all the energy transmitted in 60 cycles. Not unexpectedly, Paraguay resisted, anxious to keep open its option on this energy.

As well as the normal alternate current cable to Sao Paulo, which can be "bled" at intervals on the way, Brazil will be building direct current cable, the first of its kind in Latin America. This cable is probably not economical for the distance to be covered—about 850 km—because of the high cost of the generators at each end.

However, as well as fitting in with Paraguay's demands, it will also be extremely useful to Brazil in building up experience in DC transmission to meet the country's need in the near future to bring down energy from the Amazon basin. This particularly important contract, worth $700m, has not yet been awarded.

When construction work on the dam is complete the Parana River will then have to be closed for a period that could vary from two to six weeks as the reservoir fills. As it is difficult to quantify the damage that the closure will do to shipping and the environment in Argentina and Paraguay, the issue has become controversial.

Brazil has decided against building valves into the main doors of the dam to discharge low levels of water and thus regulate the river course as being risky and costly. Although the Brazilian Government has taken no official position on this issue, it is also known to be opposed to the building of a special dam on Monday River, a tributory of the Parana. It has been calculated that this project could cost as much as $300m, whereas the damage is approximately put at about one-twentieth of this.

Brazilian officials take the view that the third option—financial compensation combined with palliative measures such as freeing water previously stored up in existing dams on tributaries further down the river—will almost certainly be the solution adopted.

S.B.

Anglo-Brazilian trade

THE TOTALS of Anglo-Brazilian trade are constantly increasing, and in the first seven months of this year, the latest period for which statistics are available, Brazil sent £167.6m-worth of goods to Britain and bought £137.3m in return. The gap in Brazil's favour was probably filled by the purchase of invisibles from Britain, and in particular by the payments for financial services.


Brazil's Ambassador to Britain, Dr. Roberto de Oliveira Campos

The visible trade gap will doubtless be closed to a certain extent in the next few years as machinery continues to flow out from British factories for large projects such as Acominas, the steel mill in Minas Gerais.

As one of the so-called "super-competitives" Brazil is attracting more and more criticism of the barriers it has raised to a whole range of foreign products and of the subsidies that its exporters have been enjoying.

The Brazilian Government has accepted some of these criticisms and has been modifying the support given to textile exporters to the U.S. Brazilian sources indicate that as the new president, General Joao Baptista Figueiredo, settles himself into office, the trend away from unorthodox methods of trading will be speeded up.

This will be welcomed by British exporters, who in the past have been put off by the increasing complexity of exporting to the Brazilians and in particular by the demands made for joint ventures. Such ventures demand a commitment of capital and an involvement in the Brazilian market which are often judged to be too onerous for the size of the potential rewards.

But some exporters feel that the relaxation rules about selling into Brazil will be more than counterbalanced by the progressive slowing up of the Brazilian economy which they see taking place.

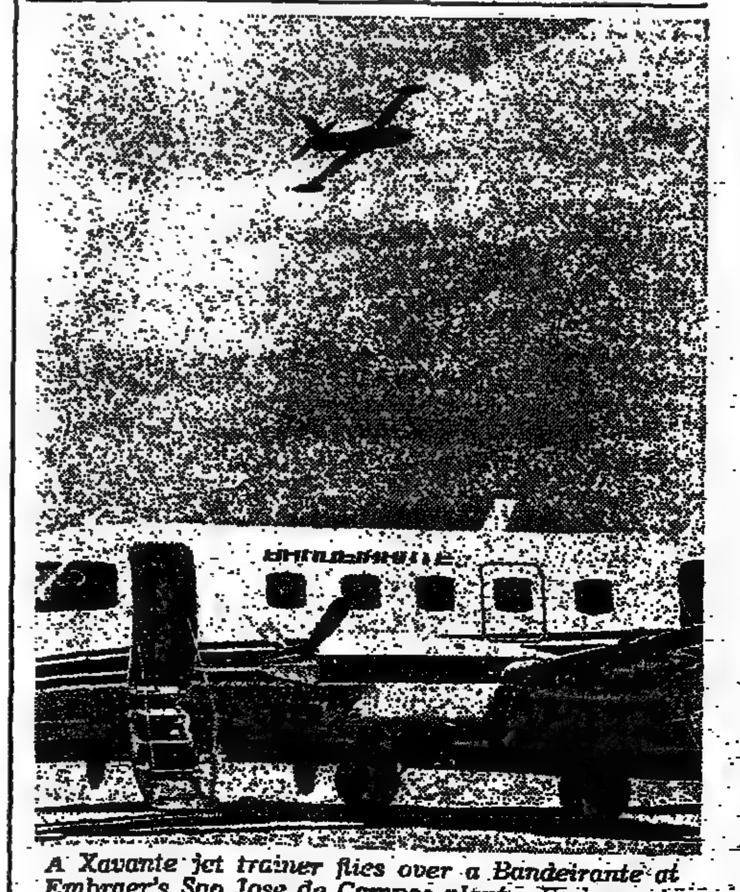
As the rate of inflation bounds up again and the figure for the year seems likely to turn out at about 41 per cent, there is every inducement for the Government to damp down economic activity, especially as the inflation threat is made more perilous by the size of the foreign debt contracted by Brazil, and the disappointments that have been suffered by the agricultural sector.

The future of Anglo-Brazilian trade will to a large extent hang on the decision taken by the incoming Government. If it decides that the pace of the march towards industrialisation has to be slackened the demand for British technological equipment will clearly fall.

If the pace of industrialisation is maintained, however, the demand will still be strong, although the call for a corresponding rise in the foregn funds to finance Brazilian purchase will rise at the same rate. While British trade officials are cautious in their forecasts about what the incoming president's decision will be, they point to the fact that Britain has no more than 1.2 per cent of the Brazilian market in imports, a figure which compared badly with that of Germany with 8 per cent.

For its part Brazil can confidently count on Britain continuing to be a good export market. The country is now Britain's largest supplier of orange juice and is a big seller of soya and coffee, while smaller specialist lines such as wooden furniture have also had a ready acceptance in Britain.

H.O'S.


A Xavante jet trainer flies over a Bandeirante at Embraer's Sao Jose de Campos plant. Embraer is the largest general aviation manufacturer outside the United States

ECONOMIC VIEWPOINT

The architects of a two-tier Europe

IF WE ARE to have a two-tier Europe, with the UK, Italy and Ireland in the *second* tier, *two men* will have been the architects, Mr. James Callaghan and President Valery Giscard d'Estaing.

Anyone who has visited Rome in recent weeks will know that the Italian Government has become increasingly reluctant to join the European Monetary System without Britain. The French Government's veto of the proposed increased regional transfer made it that much more difficult for the Italian Prime Minister, Sig. Giulio Andreotti, to take his country in—he is under domestic political constraints, remarkably similar to *those of Mr. Callaghan. It also* put up the backs of the Irish—already worried about breaking the links between their pound and sterling.

The extraordinary thing is that Italy had already negotiated a wider 6 per cent ex*change rate band*—whose centre point could itself be changed by mutual agreement—which was available to all countries at present floating; and which, if managed properly, would have given the UK all the freedom it could wish in the conduct of its economic policies inside the EMS. The proposal was never adequately taken on board. The only argument I have heard against it is that sterling has moved so *little recently and the outlook* for it so good that it does not need such a moving band! One debating answer, which does not please the Chancellor as much as it should is: Why deprive ourselves of a chance to float upwards? Another debating answer is *that if the outlook for* sterling is so clear, what would we lose by joining?

Debating points aside, there are clearly long-term risks in being stuck with the wrong parity, and the band would have provided the UK with adequate protection by allowing parity changes to be made *within the band itself and in line with market movements.* The proposal is still relevant to possible later UK, Italian or Irish membership or association—and also as a fallback position for France if that country is unable to sustain her present EMS commitments.

More influence

It may be asked: Why bother to "join" an EMS under a formula which allows previously floating countries to behave almost as exactly as before? The first part of the answer is that it is better to take the more "European" of two alternatives, other things being equal. It only discredits the Community if bad policies are welcomed or excused (for *instance when some politicians* say that we can never have cheap food again) simply to toe the EEC line. But if we can argue for sensible policies within a Community framework, why not do so? And while I am very distrustful of metaphors about "missing the bus" or "sitting at the top table," the UK might have just a *little* more influence on the Community's agricultural policy and budget *if it took part in EMS* as well.

More important, however, is that the admission of some countries with wider margins would have reopened the argument about the form the EMS should take. The arguments here cut across national lines. Those who *would prefer to start* with a "harmonisation" of monetary and perhaps fiscal policies (which does not mean identical inflation rates or monetary targets) and who would prefer to see exchange rates coming together in the market, rather *than being temporarily forced* together by intervention, would have had a chance. They may still have in all the forthcoming discussions of associa*tion or later membership* for the peripheral countries—but in an unnecessarily troubled political atmosphere.

The ironical thing is that the *emotional reason for the UK's* rejection of a wider band inside the EMS was the reluctance of top people in London to be in a second division of the Community, with the Italians and the Irish—which they are now in with a vengeance. One also *wonders whether it would have* been quite so easy for President Giscard—who does not aspire to be a de Gaulle—to use his veto on regional grants, if what had been at stake had been a wider *monetary system* for the whole Community.

The spotlight in any case switches to France, which will be conducting a pilot experiment in linking its currency to the Deutsche Mark. It will be *fascinating to see whether this* means lower inflation and a climb out of the present French "growth recession" as *some* monetarists might argue, or to the stagnation and unemployment feared by establishment economists (including French ones). In the latter case there would be so many parity and other changes that French membership of EMS would become a fiction. Although France *missed* a chance in not seeking a transitional arrangement along the lines of the Italian formula, *it* is too early to assume that French policy will fail. The question is not only how far the French inflation rate will come down, but also how far the German inflation rate will rise as a result of the wholesale printing *of marks to support misguided* intervention in the dollar market.

* * *

What is now required is for the heads of European governments to think again about their misguided belief that floating exchange rates are at the root of world economic problems; and for their central bankers and economic advisers to summon up the courage to fight the policy blunders which are liable to be committed in the cause of so-called "stable exchange rates."

❛ What is required now is for the heads of European governments to think again about their misguided belief that floating exchange rates are at the root of world economic problems and for their central bankers and economic advisers *to summon up the courage to fight the* policy blunders which are liable to be committed in the cause of so-called "stable exchange rates." ❜

It so happens that Germany, France and the UK all have as leaders men who were Finance Ministers at various stages of the breakdown of the Bretton Woods system of so-called fixed exchange rates, who took some personal knocks as the system crumbled and who now see it as a lost paradise. These leaders, *especially Herr Helmut Schmidt,* have tried to be their own economic advisers. Indeed Finance Ministers did not even attend this week's summit. While government heads were indulging their various egos in Brussels, Mr. Healey was looking around some secondhand bookshops in London—and presumably Sig. Pandolfi was in *Rome* revising his *translations* of St. Augustine. (And do Germany and France have Finance Ministers at all?)

The political and business *leaders* who dislike *floating* rates make the classic mistake of talking about "stable rates" when they really mean the temporary fixing of rates by a political instead of a market process. This is an error made, for instance, in Paragraph 5 of the *overpraised* UK Green Paper on the EMS.

If monetary policy, rates of inflation, restrictions on currency movements and domestic economic controls are all volatile and unpredictable, so will be exchange rates—whether they are "fixed" or floating. To *attempt to fix exchange rates* is to start at the wrong end. The great virtue of a floating rate is not that it brings about an earthly paradise but that it *balances the supply and demand* for foreign exchange. Trade can continue even in turbulent times, and when all sorts of un*foreseeable forces are influenc*ing the relative popularity of say yen, marks and dollars without crisis meetings, cap-in-hand official borrowing, export drives, import quotas or the other paraphernalia of modern mer*cantilism. Some of these things* there will be still for normal protectionist reasons; but there need not then be a balance of payments justification to add *respectability to them.* The great danger is that in the name of temporarily "fixed" exchange rates either in the EEC or in a wider area, progress already made in freeing trade and payments will be reversed.

John Stuart Mill once wrote that *money* was *much* less crucial than people thought. Its main importance was that it could do immense harm if it went wrong. This applies particularly to exchange rates. They can cause immense havoc if they are not at market-clearing levels: but their power *for good is strictly limited.*

A besetting temptation of those who discuss economic affairs is to suppose that there is a brilliant stroke of financial *policy which could quickly* transform the behaviour of people and institutions. We were told that a low exchange rate would start a virtuous *circle of export-led growth.* "I would devalue again and again, and again, and again," one well-known economist said privately a few years ago before turning his attention to import controls.

The Green Paper now talks of another virtuous circle stemming from the opposite path of a high exchange rate (high relative to the market value) leading to lower costs, less wage inflation, "greater stimulus to efficiency," and so onward to paradise. Indeed, the Paper achieves the feat of running both *incompatible* virtuous circles — of devaluation-led growth and high exchange rate-led reduction of costs in the same few paragraphs.

Take the high exchange rate paragraphs, which were welcomed too uncritically by the City, EEC supporters and anti-inflationists generally. The *difficulty of discussing the issue* is that the misguided and the correct view sound so similar—and indeed a composite mixture of the two is held by many. The correct view is that a domestic monetary policy designed to contain and eventually reduce in*flation to lower rates* will keep the pound high in *the market*—although not at any precise or unchanging level—and it will not harm output and employment so long as it is clearly proclaimed over a period of years and carries political conviction.

The misguided view, to which sections of the Green Paper come very near, is that the Government should chose a particu*lar exchange rate* as an independent object of policy to be pursued by intervention, borrowing or controls or, most absurdly of all, by persuading *other countries* to raise their own inflation rates ("symmetry") or to print billions of ECUs or SDRs.

We would avoid these confusions if we remembered that "a high exchange rate" has no meaning for the world as a *whole or for a large group of* countries trading with each other. The key to controlling inflation, either in such an area or in an individual country, is —*I have to say it—the control* of the money supply. A high exchange rate is mainly the transmission mechanism through which an anti-inflationary monetary policy affects an economy such as the UK's which is highly exposed to world trade.

Ultimate shock

If the authorities have for *any reason allowed the money* supply to rise "too fast" they only compound the error—and intensify the ultimate inflationary shock—by holding on to an over-valued exchange rate. This is still the lesson of Mr. Callaghan's unhappy term at the *Treasury.*

Occasionally a currency depreciation or appreciation may shock people into increased efficiency or more investment. But these are transient effects dependent on surprise and are inherently unreliable. The main contribution that monetary policy—of which exchange rates *movements* are an aspect—can contribute to full employment is negative: avoiding sudden inflationary or deflationary shocks, or stop-go changes in policy, or on-off trade restrictions. Exchange arrangements cannot remedy the rigidities of *labour markets,* whether due to Government or union distortions, or non-indexed capital markets, which lead to overheating while there are 1.4m unemployed.

Samuel Brittan

Letters to the Editor

Prospects for steel

From the Chairman, British Metalworking Plant Makers' Association

Sir,—Your survey of the steel industry (November 30) was a well balanced and perceptive analysis of the position of British Steel Corporation and the plant builders who serve it. The most telling point for Britain's engineering industry was the opening sentence: "Rarely does an industry lose the prospect of £2bn worth of work at one blow."

The disturbing fact not revealed by Roy Hodson's summary, however, is that the blow will be much harder than the figures imply. The official figures show a halving of BSC's capital expenditure to some £500m a year; that the plant builders have survived this is due to their success in increasing exports. The figures which are not given are those for new plant orders and if the present trend continues, these are likely to be of the order of £150m for the whole of the current year. In view of the fact that peak expenditure on a project is some 1½ to two years after date of order, it means that this year's capital expenditure of £400m reflects decisions made in 1975-76. This *year's order level therefore* means that there can be little chance of achieving expenditure levels of £500m a year in the near future. If today's trend is continued, the £500m figure will be out by a factor of three.

This is a matter of serious concern for British plant builders and prompts the question: how can an industry be expected to perform efficiently and preserve jobs and exports when it is subjected to such enormous fluctuations in its home market. Plant builders have shown that they thrive on challenge but there *is* a point beyond which further cut-backs in investment prove destructive: to BSC, to plant builders and, equally important, to the multitude of sub-contractors who depend on the UK plant building industry. The British Metalworking Plant Makers' Association feels we have now passed that point.

There have been promises of substantial investment in smaller schemes to modernise and improve quality. These schemes show every sign of being squeezed as hard as projects like the Port Talbot hot strip mill. It is also unfortunate that the only major BSC project which could yield orders for plant builders in the short term, the Orb silicon steel scheme, has been held up by opposition to *related plant closure.* While no one wishes to see jobs lost, it must be appreciated that it is not a question of a choice between jobs or investment. If we do not invest more jobs will be lost in the engineering industry, and at the same time, we deny ourselves a capital asset which is the basis for future wealth creation and job security.

[illegible] *to the initiative in* [illegible] and the plant builders [illegible] hopeful that their joint efforts with BSC in China will be rewarded with substantial future orders. The likelihood is, however, that they will not meet their short-term needs for design work and manufacturing load.

Plant builders recognise the need for the UK steel investment programme to adjust to market conditions. Political constraint, however, which prevents investment when the market is strong together with market (and Treasury) constraint in *difficult* times ensures that the steel industry and plant builders get the worst of both worlds. We do not favour the "planned economy," but surely there must be an element of consistent planning and stable investment in a sector which *affects so much of* the rest of British industry. Given the severe constraints now placed on BSC by current *cash* limits, plant builders feel that a minimum desirable investment level can only be ensured by division of the cash limit into revenue and capital accounts with an injection of additional funds immediately on capital account to ensure that the reduced investment envisaged in "Prospects for Steel" is achieved.

Peter Jackson.
Davy-Loewy,
Prince of Wales Road, Sheffield.

No better than guesswork

From Mr. M. Prag.

Sir, — It is little wonder that economics and economists are getting a bad reputation when the kind of nonsense perpetrated by a group called Cambridge Econometrics receives publicity (December 5). Long-term forecasting is no better than guesswork and when masquerading under the name "econometrics" it is generally worse than guesswork since it lacks the rational subjectivity of sensible economics. That industries such as *cars, ships and aircraft should be* wiped off the map in the 1980s "even on the most optimistic *assumptions" is a statement of* truly astonishing proportions. Even the Treasury, to its eternal credit, regards *forecasts much* longer than 18 months ahead as of doubtful validity.

Moreover, any forecast where the short term is so ludicrously wrong can have little credibility. Even allowing for adjustments for their (now redundant) base of 1970 prices the group is telling us that in 1979 GDP consumer spending and export volume will all be lower than levels already achieved in the third quarter of 1978. Motor vehicle production is apparently *forecast* at its lowest point since 1961 despite universal expectations of near-*peak sales of cars, which* represent the major part of such output.

Economists have a valuable service to provide, but we often have a regrettable tendency to *claim too much for our profession.* When our material is so *obviously valueless those we are advising and the general public* have a right to become increasingly sceptical of our worth.

Michael Prag.
Simon and Coates,
1, London Wall Buildings, EC2.

Production costs

From Mr. M. Littlewood

Sir,—Hoover's 10 point plan to improve efficiency (November 30) highlights a situation common in British industry. It is namely that a reduced volume of sales with a *largely fixed* overhead must result in higher product cost. The only solution is to invest (heavily *if* necessary) in order to reduce unit costs and then to sell a much higher volume. As volume increases, so does the unit cost *fall.*

This principle has been adopted by the Italian manufacturers of domestic appliances for many years and the results are now self evident.

It is perhaps a paradox that the cost of employing a worker in Northern Italy is *higher* than in most European countries (including West Germany) and yet *Italian production costs* are among the lowest. The main reason why they have been successful is due to their sustained investment in the most *modern and efficient machinery* which enables them to market their products at very competi*tive prices.*

M. Littlewood.
Lomir International.
Whitchurch,
Ross-on-Wye, Herefordshire.

Buses versus rail

From Mr. A. Dalgleish

Sir,—Nigel Seymer (December 2) has inadvertently transposed train and bus in his comment on energy use. It is of course rail travel which is about three times as energy intensive as that by bus. This ratio applies both to express urban and suburban services and to inter-city travel.

If our Government were serious in its attempts to save fuel it would be promoting the *development of American-style* express inter-city bus services to replace rail. Over there the un*subsidised buses use only one*-third the fuel per passenger-mile as does Amtrak, the passenger rail service which costs *U.S.* taxpayers $25 for every ticket sold.

Angus Dalgleish.
Shouson Hill,
Ruxbury Road,
Chertsey, Surrey.

The Iranian crisis

From Mr. P. Temple-Morris, MP.

Sir,—While your reporting of the Iranian crisis has been extensive and thorough, your leader on the subject (December 6) is dangerously misleading. Incidentally you commit the same mistakes as the lamented Times newspaper in almost its last day of publication by reacting in a typical well-meaning western way to a crisis which belongs to a country of very different historical and political traditions.

In an ideal world I quite agree with every word of your leader and it is indeed true that Iran *needs time to settle down and* discover what type of government and leadership it wants. It is equally valid as you rightly point out that before this can take place, law and order must be restored and it is essential to appreciate that this can only happen under the Shah. Whether one likes the Shah or not it is absolutely vital to realise that Iran can only have a progressive future if he remains at the head of his country. Needless to say once he gets through this crisis he will not be quite the same person again but at least he will be present for the foreseeable future to maintain the unity of Iran and help to guide it towards whatever system the country in the end decides to have.

The most serious thing about these type of leading articles is the debilitating and demoralising effect they have, not only upon the Shah himself, but also upon a whole multitude of people *within* and *outside* Iran who know perfectly well that should he depart the country will slide into chaos and irreparable harm will be done both to Iran itself and to Western interests generally. Where your leader seriously falls down is to imagine for a *moment that* Iran's western educated technocrats will be able to provide the basis of a new generation of leadership. Used to the comforts of the west as they are, very many of them will stay away until they know quite clearly which way the wind is blowing and by then it will be too late. The left wing will, of course, return and make very sure that the country moves in their direction. As to the Army, *it should be made very plain* that for all its weaponry, it represents no military tradition whatsoever. Its *senior officers* are completely loyal to the Shah and nobody else. They have been well looked after as has the professional army generally but should the Shah go, there is not one of them who will be able in any way to keep the rest in line. The considered policy of the Shah to ensure this over the years will, in this situation, guarantee the split which itself will render peaceful transition to anything quite impossible. *Even if the generals manage to* hold the ring for a while the advent of the colonels would not be long delayed. *Finally,* you refer to the country's Shi'ite clergy who are undoubtedly a force of reaction; are completely unattractive to modern educated Iranians; and could not run anything if they tried. While at least you are right that they are in effect not strong enough to ensure an Islamic state, they are, in present circumstances, strong enough to ensure chaos and that is the important point.

Progressive and well-inten*tioned as we all try to be,* there comes a time when one must decide and stand and fight as *best one can for what one* believes in. An undoubted feature of the west in recent *years is an increasing inability* to do this. That moment has been reached in Iran and in these very vital days we must decide where we stand and encourage those whom we decide to support. To write intelligent, attractive but completely impractical appraisals, is not the way.

Peter Temple-Morris.
House of Commons, SW1.

Code of 'phone practice

From Mr. P. Downey

Sir,—I am given to understand that *the Post Office* is to introduce a code of practice in the treatment of customers.

I also understand that the question of credits for wrong connections is to be included. At present the operator is instructed to say "The call will be credited," that regrettably is terminological inexactitude. The customer, if he is credited at all, which I for one doubt, will get one unit. I am told that in the discussions going on inside the Post Office, argument on this point is taking place.

Surely the easy and perhaps *fair* way is give one minute credit and allow units to that value according to the distance of the call.

P. P. Downey,
Sentry Sales,
Wyvern House,
Anchor Road, Bristol.

Bill of lading frauds

From Mr. C. Chilmaid

Sir,—I should like to concur with Mr. S. Gershon's remarks (Dec. 5) concerning "Bill of lading frauds." Any prudent *trader should instigate status* reports on his prospective client, either through banks, trade organisations or other specialists. The detail of such information gained does of course vary, but in any event, it should establish certain rudimentary *details such as: does the clients* company exist and for how long has it been trading etc.

Furthermore, since many traders do not seem to be too familiar with the rules governing documentary credits, I feel that certain aspects of these rules should be brought to your attention. I refer to the International Chamber of Commerce publications on uniform customs and practice for documentary credits *publication 290, 1974 revision.* Article 9 of which says "Banks assume no liability or responsibility for the form, sufficiency, accuracy, genuineness, falsification or legal effect of any documents, or for the general and/or particular conditions stipulated in the documents or superimposed there-on; nor do they assume any liability or responsibility for the description, quantity, weight, quality, condition, packing, delivery, *value or existence of the goods* represented thereby, or for the good faith or acts and/or omission, solvency, performance or standing of the consignor, the carriers or the insurers of the goods or any other person whomsoever."

The banks merely act as an impartial medium facilitating the transfer of funds against documents presented in accordance with the terms of the letter of credit. Since the majority of *transactions are executed* without fraud, it is surely placing an unreasonable burden on the banks to suggest that they check the authenticity of documents presented before they effect settlement.

C. P. Chilmaid,
41, Lincoln Crescent, Enfield.

Rights of employers

From Mr. D. Henderson

Sir,—Under the heading "This guide is free. Can you afford to be without one?" the *Department of Employment* recently published an advertisement ex*tolling* to employers the virtues *of its booklet "Individual rights* of employees." In the background to the advertisement are "*ghosted-in*" *glimpses of* the various pitfalls in the shape of Parliamentary Acts into which, *like Pooh's Heffalump,* the unwary employer may tumble. One is given glimpses of half-hidden titillating titles such as Equal Pay . . . Sex Discrimination . . . Race Relations Act . . . Given full frontal exposure is "Employment Protection (Consolidation) Act, 1978, Chapter 44.

I am a self-employed employer without any rights, who cannot afford the time to read 44 or more chapters of the Employment Protection Act and unless and until the companion volume "Individual rights of employers" appears, I shall endeavour to avoid the pitfalls to which the Department of Employment has so kindly and frighteningly drawn my attention by employing as few people as possible—which is a pity when I could very well and usefully employ several more.

In the past some employees *needed* protection—badly, but today the boot is on the other foot and it is all too often unscrupulous employees aided and abetted by irresponsible union leadership who make life intolerable for the employer in the knowledge that they cannot be *touched,* thanks *to the Employment Protection Act.* Absenteeism and theft were formerly grounds *for dismissal*—scarcely ever nowadays. Let us not blame consistent and high unemployment only on inflation and the economic situation, for a *goodly number of people* who might otherwise be employed are not—because of the invisible barrier *that* has been *legislated* into being between them and employment.

Do we wait in vain the companion volume?

D. R. Henderson,
11B, North Claremont Street,
Glasgow.

Today's Events

GENERAL

Canadian Prime Minister Mr. Pierre Trudeau arrives in London to meet Mr. James Callaghan.

Mr. Lu Tung, Chinese Minister for aviation, starts 14-day visit to UK areospace companies and research establishments.

NATO Ministers meet in *Atlantic Council, Brussels.*

South African Parliament special session on Department of *Information scandal.*

Financial Times' two-day conference on Nordic banking and *finance opens in Oslo.*

Dr. Otmar Emminger, Deutsche Bundesbank president, speaks on *the exchange rate as an instrument* of economic policy, at London School of Economics.

Mr. John Silkin, Agriculture *Ministers, in Brussels for further* EEC talks on fisheries policy.

U.S. Treasury Secretary Michael *Blumenthal in Bonn to see Chan*cellor Schmidt and Finance Minister Matthoefer.

Union of Post Office Workers' conference starts in Bournemouth (until December 11).

OFFICIAL STATISTICS

Provisional figures of vehicle production (November). Survey *of short-term export prospects* (13th survey—October).

PARLIAMENTARY BUSINESS

House of Commons: Civil and defence votes on account and winter supplementaries. Debate on unjust and arbitrary use of sanctions on industry.

House of Lords: Public Records (Amendment) Bill, committee stage, Social Security (Contributions) re-rating Order. Debate on report of Committee on Contempt of Court. Debate on further measures to protect animals, particularly live animals for slaughter, and horses.

COMPANY RESULTS

Final dividends: British Sugar Corporation. Mitchell Cotts Group. Interim dividends: Cawoods Holdings. General Electric Company. J. Lyons and Company. Great Universal Stores. Pegler-Hattersley.

COMPANY MEETINGS

See Company News on page 30.

COMPANY NEWS

Pilkington soars midway: sees strong second half

PROFITS BEFORE tax of Pilkington Brothers increased sharply from £29.6m to £43.4m in the first six months to September 30, 1978, and second-half profits are not expected to be substantially different to those now reported, the directors say.

In view of the dividend cover rule now applicable to dividend limitation, the board feels justified in increasing the first interim dividend from an equivalent 2.88p to 3.3p—last year's total was equal to 5.806p from pre-tax profits of £71.7m.

In total the improvement in sales and trading profits noted in the second half last year has been sustained in this first half year although there have been some disappointments in some parts of the group, the directors say.

In the UK, the demand for flat glass and glass fibre insulation products has been strong, the home improvements sector being particularly buoyant. Glass fibre reinforcements have, however, suffered a decline in activity with consequent adverse effects on the trading results for these products.

In safety glass, Triplex also had to deal with increasing market difficulties since March and the effects of the Ford strike will show themselves in the second half.

In the optical division the ophthalmic market has been depressed except for photochromic glass where Reactolite Rapide has continued to make progress.

Overseas, improved trading results from Sweden, Finland and South Africa are beginning to reflect the investments made in those countries while long-established subsidiaries in Argentina and Australia also reported higher profits compared with 1977.

In Canada after a poor start trading operations showed an upturn towards the end of the period. Most of the associated companies had another good half-year.

	Half-year 1978 £m	1977 £m	Year 1977-78 £m
Outside sales	256.9	221.7	468.3
Trading profit—			
UK profit	14.0	10.2	23.9
Overseas profit	10.8	8.9	15.7
Investment income	18.1	13.6	29.8
Associates' profits	7.7	1.0	3.5
Interest	3.8	3.0	0.0
Profit before tax	43.4	29.6	71.7
Tax	19.5	14.6	36.3
Net profit	24.0	15.0	35.4
Minorities	0.9	0.6	1.0
Attributable	23.0	14.4	34.1

* Includes investment income. · Debit.

The sales figure comprises UK £164.3m (£143.1m); overseas sales £120.2m (£103m) less sales to group members £27.6m (£24.4m).

In accordance with previous practice, unrealised exchange losses—£11.7m—arising on translation of the net assets of overseas companies and unrealised exchange gains—£1.7m—arising on translation of overseas long term borrowings by parent company have been taken to reserve.

Net exchange losses—£0.8m—on normal activities including short term borrowings have been charged against trading profits.

Meanwhile Pilkington should know the Australian Government's reaction to its £24.6m agreed cash bid for Sola Holdings—the Australian manufacturer of plastic lenses for spectacles and sunglasses—by the end of this month.

The Australian Foreign Investment Review Board is due to discuss Pilkington's bid on December 18 and decision is expected a few days after.

Last month the Australian authorities reversed an earlier decision to block a multi-million pound bid from Brooke Bond for Bushells, the largest Australian tea processor and distributor. A key to the decision was Brooke Bond's agreement to aim for an eventual 31 per cent local holding in its combined Australian division.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Company	Page	Col.	Company	Page	Col.
Arlington Motor	28	8	Norton (WE)	29	6
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Bellway	30	2	Oil & Assoc. Inv.	29	8
Benlox	29	3	Pheonix Assnce.	28	6
Causton (Sir Joseph)	28	4	Pilkington Bros.	28	1
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Devenish (J. & A.)	29	2	Richards	30	1
English Card Clothing	29	1	Rotaprint	30	4
Grant (James)	29	7	Tricoville	29	6
Hanson Trust	28	6	Victoria Carpet	30	2
Maddock	29	1	Young & Co.'s Brewery	28	3

Coalite off £1m at halfway

PROFITS BEFORE tax of Coalite and Chemical Products were down from £7.23m to £6.33m in the half year ended September 30, 1978, but given a normal winter, some recovery should be seen in the second six months.

The net interim dividend is lifted from 0.9301p to 1.0297p—the total last year was 2.7796p on pre-tax profits of £16.32m.

Turnover in the half year improved from £111.04m to £116.02m. Profit is after depreciation of £2.4m (£2.89m) and interest received £115,000 (£296,000 paid). Tax charge is £3.29m, against £3.76m.

The acquisition of Charrington Industrial Holdings was completed in October 1977 but for comparison, the Charrington results have been included for the period to September 30, 1977, after a compensating deduction for interest received on cash paid for the acquisition.

There were reductions during this summer in the production and distribution of fuels but there were encouraging improvements from builders' merchanting, transport and warehousing, automotive distribution and vehicle building.

● comment

It is difficult to draw any firm conclusions from Coalite's first half results, which show a profits downturn of 12 per cent. In recent years, summer demand for solid fuels has been on the increase but these results reflect a volume downturn of around a tenth—much in line with industry statistics. The company suggests that this year has seen "a return to the more familiar relativity between summer and winter." But an equally valid explanation might be that underlying demand might, in fact, be levelling off. There will be the benefit of a price rise from October but it is still too early to judge. Of course much will depend on the severity of the winter months, but at this stage analysts are forecasting only a minimal increase to around £17m for the year, including a £5.3m contribution from Charringtons. There can be little support from chemicals and oils as that sector is still very flat. The shares dropped 4p to 67p, giving a prospective p/e of 6 while the yield is 7 per cent.

Young's beer sales increase

Mr. John Young, chairman of Young and Co.'s Brewery of Wandsworth, in a half yearly statement, said yesterday that bottled and draught beer sales had been down, but were currently improving.

"A poor summer, a fiercely competitive market where no longer do we have all our own way, delays to the brewery development with more disruption than we bargained for, all affected our beer and progress," he said.

But things were looking up. Beer sales were showing encouraging increases and there were ample signs that demand was still great for the group's traditional draught beer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Alliance Investment int.	1.05	Jan. 16	0.95	—	3
Arlington Motor	2.5	Feb. 1	2.5†	—	7.67†
Armitage Shanks int	2.01	Apr. 2	1.98	—	4.3
Buffelsfontein int.	80§§	Feb. 9	60	—	170
Castlefield	2.25	Feb. 6	2.8	3.35	9.8§
Sir J. Causton	1	Jan. 29	nil	1	nil
Clarke, Nicholls int	0.98	Jan. 29	0.89	—	1.98††
Clydesdale Colls. int.	8§§	Feb. 23	6	—	15
Coalite & Chemical int	1.03	Feb. 12	0.94	—	2.78
Deanson	2.34	Feb. 20	2.1	2.34	2.1
J. A. Devenish	4.45	Jan. 25	3.9	6.58	5.9
Elson & Robbins	2.14	Jan. 23	1.92	3.49	3.13
English Card int.	1.2	Jan. 30	1.13	—	2.98
James Grant int.	0.38	Dec. 14	0.38	—	—
Glenmurray Trust int.	0.8	—	0.75	—	1.95
Glenmurray Trust	1.2	Feb. 9	1	1.95	1.7
Griqualand	31§§	Feb. 23	28	55	52
Hanson Tst.	4	Feb. 2	3.54	7.02	6.29
Holyrood Rubber int.	12‡	Feb. 6	7	—	33
Hongkong (Selangor) int.	8	Feb. 6	1.32	—**	7.26
Killinghall (Rubber)	8	Feb. 7	10.17	12	11.55
London Sumatra int	2‡	Jan. 19	—	—	4
W. E. Norton int	0.39†	Feb. 20	0.16*	—	0.33*
Oil & Assoc. int.	0.59	Jan. 26	0.58	—	2.1
Peak Ins.	nil	—	nil	nil	0.5
Pilkington Bros. int.	3.3	—	2.88*	—	5.81*
Richards	0.91	—	0.82	1.16	1.04
Rotaprint int.	1.12	Feb. 26	1.12	—	2.93
Stilfontein	50§§	Feb. 9	11	66	22
Trans-Natal Coal int.	10§§	Feb. 23	8	—	18.5
Victoria Carpet int	0.5	Feb. 22	0.44	—	1.41
Thos Warrington int.	1.16	Jan. 22	1.16	—	3.13
West Rand Cons.	10§§	Feb. 9	10	17.3	13

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and or acquisition issues. ‡ First interim dividend. § Including 6.5p special distribution. ¶ To reduce disparity. ‖ Total not less than previous year's forecast. ** Board expects not less than 24p. †† Includes additional 0.0162p for 1977. §§ South African cents throughout.

Causton doubled to peak £0.69m

PRE-TAX profits of Sir Joseph Causton and Sons more than doubled from £318,231 to a record £685,732 for the year ended September 30, 1978, and included a much lower temporary employment subsidy of £116,080 against a previous £346,098.

The directors say the recovery, which began in the last quarter of 1976-77, has been accelerated and sustained; losses for the two years ended September 1976 totalled £951,650.

At the interim stage profits had jumped from £35,000 to £259,000.

Turnover for the year was ahead from £9.66m to £10.9m, less material content of £3.16m compared with £2.98m.

After a tax credit of £33,063 (£3,738 charge) earnings are shown as 9.5p per 25p share against 4p and there is a dividend of 1p net for the period—the last payment was a 1.0008125p final for 1973-74.

	1977-78 £	1976-77 £
Turnover	10,897,711	9,662,122
Less material content	3,159,192	2,975,567
Trading profit	569,652	217,807
TES	116,080	346,098
Profit before tax	685,732	318,231
Tax credit	33,063	3,738
Net profit	718,795	314,493
Extraordinary debits	[illegible]	95,939
Available	660,113	218,494
Dividend	13,025	—
Leaving	647,087	218,494

* Loss. Comprises release from deferred tax £109,222 less corporation tax £76,159. Charge. † Factory reorganisation costs including redundancy payments. ‡ After waivers £44,681.

The directors say that the tax position reflects the combined impact of tax losses brought forward, stock appreciation relief, excess capital tax allowances over depreciation, the recovery of ACT previously written off, and the release of deferred tax.

There was a substantial reduction in group bank borrowings, which totalled £1,801,330 at the year end—£625,383 lower than a year ago. Shareholder's funds increased by 35 per cent to £2,323,883 and the group's gearing is now at an acceptable level, although further reductions are still desirable, the directors state.

Assets per share, excluding deferred tax are given as 33.5p compared with 24.2p.

Causton is a lithographic and letterpress printer and stationer.

● comment

Sir Joseph Causton's recovery is best seen at the trading level which shows a substantial turnround from losses pre-temporary employment subsidy last year. This is important since TES—which saved jobs, boosted short-term profits and improved cash flow—ran out in April. Causton's biggest and most important division is the Eastleigh printing operation, which represents about two-thirds of capital employed. Once the doyen of commercial colour printing, it subsequently ran into stiff competition and volatile markets. Last year, however, on the back of a better advertising and publishing climate, Eastleigh turned previous losses into profit. There is still plenty of scope here for improvement while the likely downturn in consumer spending leaves a question mark over the current year. Elsewhere, the London division is also out of the red and the remaining, more solid interests have again done well. It cannot be said, of course, that the group is firing on all cylinders. Eastleigh's contribution to profits, for example, is still only 30 per cent of the total. Interest charges are, however, a third lower—borrowings are down from over 150 per cent at end 1976 to around 70 per cent of shareholders' funds—and the workforce has been cut by more than a tenth. The resumption of a dividend must also be a sign of returning confidence. At 25p the p/e is only 2.5 and the yield 6.2 per cent.

ISSUE NEWS

Good start by Harris Queensway

The shares of Harris Queensway made their market debut yesterday with a substantial premium. The retail group's shares were offered to the public at 155p each, and yesterday when dealings started they opened at 175p.

The offer of 5m shares, raising £7.75m, attracted applications from the public and employees for 99.5m shares, and market dealers had been predicting a premium of around 15p.

So the 20p premium yesterday was a bit better than had been anticipated. There was the inevitable selling pressures early in the day but the shares held firm and closed at 175p after a low point at one stage of 171. In all about 2m shares changed hands yesterday—40 per cent of the issue.

At 175p Harris is standing on a p/e of 10.5 and yield of 6.7 per cent.

Mid Kent Water £3m offer

A £3m offer for sale by tender is being made by The Mid Kent Water Company of 8 per cent Redeemable Preference Stock 1984 at a minimum price of £98 per cent.

The stock is payable as to £10 per cent with applications to be received no later than 11 am next Wednesday. The balance of the purchase price will be due on or before January 29, 1979.

Tenders must be for a minimum of £100 and above that in multiples of £100.

The first dividend on the stock, amounting to £1.44, will be paid next April 2 and thereafter dividends will be paid half-yearly on October 1 and April 1. The stock will be redeemed at par on January 31, 1984. The grossed-up flat and redemption yields are 12.18 and 12.49 per cent respectively.

Brokers to the issue are Seymour Pierce.

● comment

The terms of Mid Kent's issue are identical to the £3½m Colne Valley offer last month, and that attracted applications for over £11m of stock. On the market Colne is now trading at equivalent to par—two points over the minimum tender price. So another good response looks likely this time assuming no deterioration in the market between now and next Wednesday. Tenders for Mid Kent will have to be pitched with a 1½ point premium to ensure getting stock.

Hanson betters forecast as profit growth returns

WITH PROFIT growth regaining some momentum in the second six months of the year to September 30, 1978, Hanson Trust finished the full year with better than projected full year taxable profits of £26.1m compared with £24.4m.

At the interim stage when reporting static first half profits of £11.4m (£11.2m)—which followed two years of rapid growth—the directors forecast full year results in line with the previous 12 months.

Now, describing the outcome as excellent, Sir James Hanson, chairman, says that if the sterling-dollar exchange rate had been the same at the year-end as at the start, reported profits would have been £1.8m higher. The recovery of the dollar, he points out, should benefit the company next year.

The profit expansion was due to a higher contribution of £12.2m (£9.2m) from the UK, which offset a downturn from £15m to £13.6m in the U.S. and little change in Australia, which gave £0.3m (£0.2m).

Full year earnings per 25p share are stated at 22.3p (20.3p) and with a final payment of 3.9984p net the dividend total is stepped up from 6.2897p to 7.0234p.

Assets per share at the year end totalled 106p (100p) and cash and Government stocks amounted to 78p (83p).

Pre-tax profits include £0.9m (£1.5m) of property and other income, less interest and parent company expenses.

Sir James reports that in UK industrial services, Butterley Building Materials had an excellent year with a profit of £3.7m (£3m) and SLD, suppliers of construction equipment and hirer of pumps, performed well with £2.3m (£2.1m) out of a divisional total of £7m (£6m). The U.S. industrial services division made a profit of £9.3m (£5.4m) with Carisbrook and Interstate achieving good results in competitive markets.

The U.K. agriproducts division almost doubled in profit to £1.3m (£0.7m) but, as previously indicated, U.S. agriproducts had a more testing year.

However, Hygrade, the meat processing and packaging company, faced with a shortage of livestock still produced a profit of £3.7m (£6.3m) out of a total £7.4m (£10.5m). Seacoast results were better than had been anticipated with a lower catch partly compensated by a higher fishmeal yield.

	1978 £m	1977 £m
Sales	604.6	477.4
Agriproducts—		
UK	27.3	24.5
U.S.	318.7	312.2
Industrial services—		
U.K.	60.5	55.2
U.S.	195.6	78.6
Businesses sold	—	3.9
Parent company*	4.2	3.0
Profit before tax	26.1	24.4
Agriproducts—		
UK	1.3	0.7
U.S.	7.4	10.5
Industrial services—		
UK	7.0	6.0
U.S.	9.3	5.4
Businesses sold		0.3
Making	25.2	22.9
Prop. and other income†	0.8	1.5
Tax	9.9	9.7
Minority profits	1.3	1.0
Extraordinary credits	0.1	0.9
Available	15.1	14.6
Dividends	4.7	4.2
Retained	10.4	10.4

* Including property. † Less interest and parent company expenses.

The company's cash resources are now more than £50m and Sir James comments that "This strength added to our own performance means that we have no doubt whatever that the good fortunes of the company will continue long into the future."

See Lex

Arlington Motor up £49,000

INSUFFICIENT supply of vehicles to meet demand contained first half growth in taxable profit at Arlington Motor Holdings to £49,000. The half-year surplus was £720,000 on sales £3.2m higher at £23.72m.

Current demand is running at a satisfactory level but costs are being adversely affected by the present level of interest rates. In particular the group's finance subsidiary will produce lower second half profits unless the cost of money shows an early reduction.

Overall, however, the directors believe the outcome for the year will be satisfactory, says Mr. Norman Housden, the chairman.

For 1977-78 profit was £1.21m on turnover of £43.41m.

Tax for the half-year took £374,000 (£349,000) leaving earnings per 25p share down 1.3p at 8.1p on capital increased by the January rights issue. The net interim dividend is held at 2.5p—last year's final was 5.17p.

Mr. Housden says the advance in profit would have been greater had the vehicle manufacturers produced more to meet the company's requirements for both cars and commercial vehicles.

Phoenix Assurance unchanged at £27.4m for nine months

PRE-TAX profits, virtually unchanged at £27.4m, are reported at the nine month stage by Phoenix Assurance. Higher returns from investment income over the period were offset by a continuing adverse underwriting experience. The tax charge and minority interests remained unaltered at £10.2 and £1.6m respectively, so the net profit over the period was virtually unchanged at £15.6m. However, the earnings per share fell to 23.8p against 26.2p for the corresponding period last year.

The net premiums written on general insurance business showed a 1.7 per cent rise over the period from £253.7m last year to £258.1m. However, these figures were affected by currency fluctuations, and the non-consolidation of a former subsidiary. Allowing for these movements, the underlying real growth in premium income was 9.2 per cent.

The company's operations in the U.S. recorded an underwriting profit of £1.9m as against £0.9m in 1977. At the half year stage, the company reported a profit of £0.7m. The operating ratio over the first nine months was 94.4 per cent compared with 96.9 per cent last year. These good results reflect the general improvement in the U.S. insurance market. The company anticipates that the next downturn in the cycle could occur towards the end of next year, but that it is likely to be a shallow decline.

In the UK, a satisfactory third quarter was experienced with an underwriting profit in the fire and accident account of £0.5m. This reduced the overall loss for the year to £2.0m compared with a loss of £0.3m in 1977. There was an improvement in most classes of business, but the commercial fire account, unlike that experienced by other composites, was affected by the continued high level of national fire wastage. The motor account is showing a modest profit, while the company is putting up its household contents rates from January 1 in order to get the personal householder account in balance.

Europe remains a problem for the company, with substantial losses of nearly £2m being suffered in the Netherlands, Belgium and Spain—slightly lower than for last year. The company reports than operating conditions remain tough, with difficulty in getting the appropriate rates for the business being written.

Other overseas business continues to be generally profitable, especially in Canada. A better third quarter's results was recorded for Australia, a territory which is giving all insurers operating there considerable problems because of strong market competition.

Investment income showed a 9.9 per cent rise on the period from £26.3m to £28.9m, reflecting the continuing favourable investment conditions and the growth in the underlying funds. Adjusting for currency fluctuations and the non-consolidation of a former subsidiary, the underlying growth in investment income was 17.7 per cent.

New life business over the nine months showed a substantial rise—from £0.88m to £1.27m—though the figures are not strictly comparable, because of the consolidation of a subsidiary. The company has recorded a substantial rise in group pensions business following the introduction of the new state pension scheme.

● comment

The results of Phoenix Assurance at the nine month stage were somewhat disappointing, compared with those of other composite insurance companies. While the U.S. has progressed satisfactorily, the UK account is being slow to recover from the very poor first quarter, while results in Europe are still extremely adverse. Given a normal fourth quarter, it looks as if the company will show pre-tax profits around £42m against £36m last year. Looking to next year, the company feels more optimistic about the UK, given the proviso of a mild, storm-free winter, while at the same time, it hopes for an improvement in Europe and anticipates only a shallow decline as the U.S. cycle turns down. The share price fell 2p to 242p where there is a projected yield of 7.1 per cent gross.

J. DYKES INTERIM

Treasury consent has been received by J. Dykes (Holdings) for the payment of the interim dividend of 0.35p net already declared. The last payment was a 2.35p final for 1976-77.

COMPANY MEETING

Kalamazoo calls for dividend concession to be based on 5-year average

Why 23½ Per Cent Increase Was Not Permissible

WORKER PARTICIPATION SUPPORTED

Mr. T. B. Morland, chairman of the Kalamazoo Group, told shareholders at the Annual General Meeting at Northfield, Birmingham, on Tuesday, December 5, 1978: "We were disappointed with the concession given by the Government on dividend cover, because it was not as sensibly conceived as we feel that it could have been. The way in which it has been drawn up allows a company to increase its dividend by more than 10 per cent, if the cover after a 10 per cent increase is higher than the level recorded in the highest year since dividend restraint was introduced in 1972. We think that this is wrong for two reasons.

"First, many companies, like ourselves, have an uneven performance for reasons totally outside their own control. We had an extremely good year in 1973, as a result of V.A.T. being introduced. This caused all businesses to reconsider their accounting systems and gave us an opportunity, which we took, to provide services to a large number of new customers as well as amending the systems of our existing customers. Our results in that year, however, were made artificially good, because a lot of customers delayed buying until the V.A.T. regulations were published late in 1972, while others brought forward orders which they would have placed in 1974—so the profit for the year, which was a record at the time, was inflated by transfers from the years before and after.

"The dividend for 1973 was limited, so cover was high and has made it impossible for us to raise our dividend under the Government concession. Had the calculation, as I suggest in my review, been based on the average of five years, the unevenness in performance would have been ironed out and we could have paid a dividend 23½ per cent higher instead of the permitted 10 per cent increase.

"The second reason for my suggestion is perhaps even more important. Dividend restraint really forces a company to pay the maximum permitted increase every year, even though this may not be the best decision in the circumstances. It is done, however, because otherwise the base for all future increases is lowered, and while controls are still applied to dividends there is no way in which the amount missed in one year can be made up subsequently. If calculations were based on the average of a number of years, this would not be so, and dividend decisions could be more closely related to performance and prospects.

"Finally, I want to refer you to the section in our report dealing with participation. The last paragraph of this says: 'We hope that the current pressure for the illusion of industrial democracy will not distract attention from the only sort of participation which finally counts—the sort that provides each individual with the opportunity of influencing those decisions to which he or she is competent to make a contribution.'

"To me it was unfortunate that our Report and Accounts were published in the aftermath of the CBI Conference, when press reports were giving the impression that all employers rejected completely the idea of participation. As a result, few people seem to have noticed that we, at least, do not.

"It seems to me a tragedy that so much attention and publicity should be given to the debate on legal enforcement of participation at board level, no matter how ill-conceived the notion may be, while so little is directed towards the ways in which really effective involvement can take place, to the benefit of all connected with the company in which they work.

"What is required of industry is a positive drive for, and a constructive approach to, what should be one of management's most valuable opportunities—I hope sincerely that more of our CBI colleagues will, in the not too distant future, come to this view rather than the one which some so stridently expressed at the conference."

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Maddock accounts heavily qualified

HAD THE 1977-78 accounts of Maddock been prepared in line with the views of the now resigned joint auditors Arthur Young McClelland Moores and Company retained earnings would have been in deficit and there would have been insufficient dividend cover.

Aside from the disagreement over accounting treatment of an acquisition, however, the actual published report on the accounts signed by the remaining auditors, Cape and Dalgleish, receive heavy qualification.

Chiefly they point to two material uncertainties. One is that the accounts, including the presentations of the discount arising on the issue of the convertible stock, have been prepared on a "going concern basis" which is dependent upon the group continuing to both obtaining financial support and passing a resolution proposed for consideration at the annual meeting on December 28, to raise the borrowing limits from three to five times capital and reserves.

The auditors also draw attention to the facts surrounding the refusal of an application by an American subsidiary to self insure its workmen's compensation liability. This offshoot contends that it is entitled to self insure and has made no provision for the insurance premiums, amounting to some £131,000 billed by the authorities. If this company's appeal fails it could be subject to fines and penalties.

The auditors also say that had the statement of standard accounting practice No. 14 on group accounts not applied the £135,063 losses of Royal Stafford China business—managed by Maddock from February 3, 1978—would have been brought into the accounts.

It is over this issue that Arthur Young say the accounts do not present a "true and fair" view of the financial affairs of the group as at June 30 year end, and why they were warned by the Board that if they did not resign it was likely that a general meeting would be called to consider a resolution to remove them.

In a copy of their letter to the Board, which is published alongside the report by Cape and Dalgleish in the accounts, Arthur Young say: "Although it would not normally be appropriate for an auditor to resign when an audit is virtually complete, we have agreed to do so as Cape and Dalgleish, with whom we have worked closely as joint auditors, will be continuing as auditors, and because of the delay in the finalisation of the accounts that would have been caused if you had decided to convene a General Meeting to seek to remove us as auditors."

They add that they had intended to note in their report that the company had included in the consolidated profit a £150,000 management fee for the day-to-day management of Royal Stafford from February 3, 1978, but had excluded the losses from then to June 30. This accounting treatment does not appear to represent the substance of the agreement on July 4 whereby Royal Stafford was acquired, they maintain.

Even without the consolidation of the Royal Stafford losses, Maddock, as known, with taxable profit up from £44,881 to £247,649 for the year to June 30, fell well short of its earlier forecast of £600,000.

Arthur Young were appointed joint auditors of the group, formerly the Meru Group, at the AGM in 1977, with Cape and Dalgleish who first became auditors of the company in 1926.

Meanwhile Maddock, in a technical move, has applied to have its share listing cancelled. This will enable dealings in specific bargains to be made pending a return to a full listing. The group's shares were suspended in September, 1976, which has precluded any dealings in its shares under Stock Exchange rules.

Devenish picks-up in second half

FOLLOWING LOWER midway pre-tax profits of £166,232, against £207,064, J. A. Devenish and Co., brewer, picked up in the second half to finish the full year to September 29, 1978, ahead from £1,569,978 to a record £1,716,377. Turnover rose £1.28m to £14.16m.

Earnings per 25p share are given as 20.7p (18.9p) and a final dividend of 4.45p net lifts the total payment from 5.9p to 6.575p, absorbing £241,908 (£217,074).

English Card higher

WITH INCREASED contributions from the UK and India and a reduced loss in Europe, English Card Clothing Company improved pre-tax profit by £0.1m to £1.11m for half year to September 30, 1978. Sales by the group which manufactures card clothing, iron and steel wire, rose from £9.01m to £9.37m.

Stated earnings per 25p share were ahead at 7.8p (6.1p) after overseas tax of £587,000 (£547,000). There was no UK tax charge this time, compared with £40,000 previously.

The net interim dividend is raised to 1.2p (1.13p) and costs £69,000 (£65,000). Last year's final of 1.85p was paid from profit down from £2.86m at £2.76m.

Attributable surplus for the half-year emerged at £452,000 (£352,000) with £194,000 (£144,000) coming from the UK, and £259,000 (£218,000) from India less a deficit in Europe down from £10,000 to £1,000.

There was an extraordinary charge this time of £29,000 relating to exchange rate changes on net assets abroad.

BIDS AND DEALS

Barrow Hepburn's £10.5m chemical sale to Tunnel

BY ANDREW TAYLOR

THE TROUBLED Barrow Hepburn Group has agreed to sell its specialist chemicals division for £10.5m cash to Tunnel Holdings, the UK cement group.

At the same time Barrow's chairman Professor Roland Smith announced that an accountants report into alleged "serious irregularities" at the group's Schrader Mitchell and Weir subsidiary would be available in the next few days.

Provisions against losses at Schrader are to be increased from £1m to a maximum of £4.2m. It is Barrow's need for cash that has prompted the sale of its chemical division which last year generated over a third of the group's £3.2m pre-tax profit.

The deal, requires Tunnel shareholders' approval and so far, Mr. Peter Frost, chairman of Thomas Ward—which has a 29.6 per cent stake in Tunnel—has not joined his fellow directors at Tunnel in recommending the purchase.

He said yesterday that he had abstained from voting on the issue until the Thomas Ward Board had opportunity of studying the full details of the offer.

Half the purchase price is to be paid in sterling and the remainder in European currency—which Barrow will use to repay some of its overseas borrowings. Mr. Derek Birkin, Tunnel's chairman, said that it was likely that this side of the deal would be financed through a currency swap.

He said that the group had been searching for some 15 months for a chemicals acquisition. Tunnel already has major joint venture stakes in the Stablex business which has developed a new process for disposal of toxic waste.

Mr. Birkin said that the acquisition of the Barrow business—which supplies specialist chemicals for industrial uses including synthetic sizing agents for the textile industry and chemicals to prevent or suppress foam in industrial processes—marked an important stage in Tunnel's diversification programme.

The Barrow chemicals division which has extensive overseas interests—generating 64 per cent of pre-tax profits last year—is forecasting total pre-tax profits of not less than £1.7m in the current year.

Barrow's remaining business interests are in leather manufacturing machinery, leather products, plastics, packaging and the merchanting of conveyor belting, safety equipment and textiles. It also has a 50 per cent stake in British Tanners Products — with the National Enterprise Board owning the other half-share.

These operations last year generated a combined profit of almost £2m — before interest payments due the group. Prof. Smith said yesterday that corresponding profits in the current year were likely to be around £1.1m. This was after higher interest charges of £1.53m.

He said that after the sale the group's net borrowings would be reduced to around £1.3m. Under the terms of the deal Barrow is proposing to repay at par its outstanding 12 per cent unsecured loan stock 1989-14.

In its last accounts Barrow showed net debt of £11.2m compared with shareholders' funds of almost £10m.

As well as reducing its borrowings, Barrow also intends to eliminate some of its loss-making activities and unprofitable investments, but the group warned that in view of the possible extent of the extraordinary provisions, it is not able to confirm its dividend forecast for the year of 1.5p net compared with last year's 1.375p net.

Ladbroke buys another hotel

Ladbroke Group has paid £1.5m cash for Clive Hall, which owns the freehold of and operates the four-star Clive Hotel in Swiss Cottage, London.

The hotel has 88 bedrooms and extensive conference facilities. The net current assets of Clive Hall as at November 30 amounted to some £170,000.

On completion of the Myddleton Hotels acquisition, this purchase will bring the number of hotels acquired by Ladbroke since the beginning of the year to 22, making an overall total of 26.

It is understood the proceeds of the sale will be donated to charity.

Clive Hall was run by Mr. Chiam Sroka, a businessman, understood also to have interests in importing and exporting and in shipping.

A spokesman for Mr. Sroka declined to say which charities the money would be going to.

BICC sells 8% stake in General Cable for £15m

THE ASSOCIATION between BICC, the British cable and electrical engineering group, and General Cable Corporation of the U.S. has been finally severed. Yesterday morning General Cable sold its 12,220,000 BICC shares (8.2 per cent) for £15m.

In September this year, BICC completed the sale of its 20.1 per cent stake in General Cable. The reciprocated shareholdings had been created in 1970 with a view to entering the U.S. cable market in partnership. But hopes for this partnership were not fulfilled.

BICC used provisions in the original agreement to ensure that the stake sold yesterday was distributed as widely as possible. General Cable had powers under the same agreement to find a buyer at a higher price but did not use them. The outcome was "mutually satisfactory" said a spokesman for BICC yesterday.

The shares were placed at 123p per share, compared with a market price during the day of about 131p. It was claimed that the shares were sold quickly and easily and that they were divided between well over 100 institutions. "It was one of the longest placing lists I have ever seen," commented one of the participants in the sale. No single institution received more than 400,000 shares according to BICC.

General Cable said yesterday that the disposal was made in the light of the corporation's long-term objective and its desire to reduce short-term indebtedness incurred for the purchase of Automation Industries Inc. earlier this year. British stock market conditions and BICC's sale of its stake in GC were also quoted as factors. An after-tax write-off of $10.7m will be charged against GC's 1978 earnings.

Brokers to the placing were Cazenove and Co. and L. Messel and Co.

BRITISH VITA DEAL COMPLETED

British Vita Company, the Manchester-based rubber and plastics group, has completed its agreement to acquire the whole of the issued share capital of Caligen Foam, the Accrington-based polyester foam specialists. The consideration is £2m cash, of which £1.5m has been paid. The balance is payable with interest in a year's time.

British Vita announced in October that it was buying Caligen from its joint owners, Tenneco International, of Houston, Texas and Tootal.

The purchase was described as British Vita's first mainstream entry into Europe. Management accounts of Caligen for the ten months ending November 4, 1978 showed estimated pre-tax profits of £850,000.

After adopting the accounting principles of British Vita, net asset value of the Caligen Group is estimated to be £1.8m as at the completion date after a £350,000 dividend payment to the vendors.

Mr. Peter Redpath, who has been managing director of Caligen Foam since October 1966, has become chairman and managing director of Caligen.

UEI DETAILS

United Engineering Industries has sent shareholders details of its acquisition of Link Systems and notification of an EGM on December 21 to ratify the deal. The take-over was first announced on November 22.

Link Systems is described as a manufacturer and designer of micro-analysis electronic instrumentation systems which non-destructively detect elements present in materials. Over the last five years profits have risen from £13,000 to £365,000. Net tangible assets are £818,000.

The initial consideration amounts to about £1.6m consisting of 1,333,334 shares and £730,000 cash. Further payment, not exceeding £1.35m, will be made if Link's combined profits for the two financial years ending July 31 1980 are over £1.2m. But if profits are below £800,000 in this period then a refund will be made.

BRITANNIA ARROW

Britannia Arrow Holdings, formerly Slater Walker Securities, has sold 90,125 ordinary shares in Grimshawe Holdings, the industrial group. The sale represents Britannia's entire holding.

However a further 6.14 per cent of Grimshawe's equity is mortgaged to Slater Walker Ltd.

ICFC LOANS

Industrial and Commercial Finance Corporation has provided a loan of £425,000 to Masters Wilkerson, to enable the company to purchase the freehold of its leasehold factory at Garratt Lane, Wandsworth, SW.

ICFC has also announced a loan of £285,000 to the Graham Poulter Group of Leeds, one of the largest provincial advertising agencies in the UK.

BOC and TMG in £2.4m deal

BOC International has agreed in principle to buy the 25 per cent of Irish Industrial Gases and BOC Northern Ireland it does not already own for £2.4m.

The stakes are currently held by TMG Group which has decided that associated companies would provide too large a proportion of its earnings if the holdings were retained. TMG acquired the minority stakes when it took over Hammond Holdings.

BOC and TMG yesterday stressed that the agreement was a friendly one. Completion is expected before the end of December when Mr. M. A. Buckley will resign as director of both IIG and BOCNI. Mr. Michael W. J. Smurfit will remain on the Boards of both companies.

Agreement has also been reached on related matters such as the dividends for the current year and the proportion of next year's earnings which will be applicable to the TMG Group.

SHARE STAKES

Glanfield Lawrence: Mr. H. Gillson, a director, has acquired 1,000 shares. Mr. J. R. Glanfield, director, has converted £700 loan stock to 750 shares. Mr. S. T. Glanfield, director, has converted £35,000 loan stock to 87,500 shares of which 27,500 are in his own name and 60,000 in the name of Mr. J. R. Glanfield.

W. H. Smith and Son (Holdings): Lord Hambleden, director, has increased his trustee holding of "B" ordinary shares by 90,000.

Curry's: a trust of which Mr. D. Curry, chairman, is a trustee, disposed of 127,662 shares to the beneficiaries on November 28 for a nominal consideration.

Lee Refrigeration: Mr. D. C. Purley, director, has sold 20,000 shares.

Temple Bar Investment Trust: Pearl Assurance Company is interested in £551,503 ordinary stock.

VANTONA

Vantona announces that up to 2,503,865 new ordinary shares will be issued and allotted as a result of acceptances under the share alternative of the ordinary offer for Compton Webb.

EDWIN JONES

Fresh capital injected by another company of the chairman of Edwin Jones has allowed Edwin Jones and Sons (London) to continue in business. Edwin Jones has been under the management of a receiver.

The chairman, Mr. Michael Berry, has injected the fresh capital through his company Dorling Development.

MARLBOROUGH PROPERTY

Marlborough Property Holdings announces that Mr. M. M. Lange, a director, sold 25,000 shares on November 28. His beneficial interest in the voting shares is now 8.08m shares.

Mr. P. Wortman has resigned as a director and Mr. R. A. Roberts has been appointed.

The AGM will be held on December 29. Notice to shareholders will be issued on December 7 but no accounts will accompany this notice.

NEIL & SPENCER

Neil and Spencer Holdings has received Stock Exchange permission for the listing of 88,118 10p ordinary shares, representing the consideration for the acquisition of Stanley Newbery, manufacturer of commercial washing machines.

Benlox plans for expansion

A capital reconstruction to be proposed to shareholders of Benlox Holdings is intended to facilitate the payment of dividends, raising of further capital and making of acquisitions.

The deficit of £402,024 on the parent company's profit and loss account last February is to be limited by cancelling the share premium account of £117,250 and the capital redemption fund of £15,000; writing off half the nominal value of the 20p shares to provide another £130,000 and setting off unrealised profits of £140,789. These changes would bring the profit and loss account back into the black and allow the company to start paying dividends again.

Benlox wants to increase the authorised share capital to £300,000 and will then be in a position to raise capital or issue shares for an acquisition.

An EGM on January 3 will vote on these proposals which will go to the High Court to be sanctioned.

First interim from London Sumatra

A MAIDEN interim dividend—of 2p net—is to be paid by London Sumatra Plantations and the Board says it hopes to pay a final dividend of 4p. For 1977 a single dividend of 4p was paid out of total pretax profits of £1.34m.

The directors point to the danger of trying to forecast a full year's profit on the basis of returns for part of the year. On November 15 this year the Indonesian Rupiah was devalued from 415 to the U.S. dollar to 623.5.

Although this measure, of itself, is not expected to adversely affect the company, until there is clarification of other measures, including increased export duties, it would be premature to forecast the overall effect, they add.

Drought conditions during the previous two years have affected crops.

Harrisons and Crosfield, including interests of subsidiaries, had a 43.5 per cent stake in the company on June 19, 1978.

NEW COMPANY FOR COMFORT HOTELS

Comfort Hotels International has formed a subsidiary, World Hotel Management, which will specialise in developing and operating hotels for owners in this country and abroad.

MINING NEWS

An expansion prospect for Winkelhaak

BY KENNETH MARSTON, MINING EDITOR

THE PROSPECT of a permanent new mining area for the Union Corporation group's Winkelhaak gold mine is outlined in the latter's annual report. The chairman, Mr. L. W. P. van den Bosch, discloses that negotiations are now in progress to acquire from UC Investments and Acacia Mines the right in perpetuity to prospect and mine a large area now held under option which adjoins the eastern boundary of Winkelhaak's lease.

"Various proposals are being carefully evaluated," he says and adds that the existing agreement with the owners has been extended to March 31 and it is likely that a new agreement will be concluded by that date. Winkelhaak has already carried out mining in the new area under endorsed prospecting permits and the decision to put things on to a permanent basis clearly indicates that the area is reckoned to have a fair potential.

In the other annual reports issued by the group's South African gold mines that of the new Unisel confirms that full production is still expected to be reached in November next year. The chairman, Mr. E. Pavitt, adds that the revised capital expenditure estimate still stands at R84m, it having been inflated by delays in underground progress. But the rise in the gold price has improved the original earnings expectations.

In regard to the St. Helena gold mine, Mr. Pavitt says that operations will continue to move into the lower grade areas of the property. But when the removal of higher grade pillars in the No 2 shaft area has been completed, this better grade area will become available for mining with the result that the overall grade should be stabilised for a while.

Capital expenditure at the Kinross mine is estimated at about R2m (£1.2m) over the next two years by Mr. van den Bosch. Mining operations will start in the better grade No 2 shaft area next year and thus reduce the mine's dependence on the remaining reserves in the southern portion of the mine. So milling of No 2 shaft area ore should halt the decline in overall recovery grade that has taken place in the past nine months or so.

Of the group's Bracken and Leslie mines, which are nearing the end of their lives, the former is expected to maintain its present level of production into the second half of next year. Thereafter, production may be possible at a reduced rate, says Mr. van den Bosch.

A high gold price cannot change this picture, simply because the mine has little ore left. Leslie, however, still has a fair amount of low grade ore reserves and it is being kept going thanks to South African Government assistance. Mr. van den Bosch says that the low grade producer still has a life ahead of over five years.

Stilfontein's 50c final

THE DECEMBER dividend season of South Africa's gold and uranium mines is opened with a sparkle by the General Mining group's Stilfontein which has boosted its final payment for 1978 to 50 cents (29.8p).

It makes a year's total of 66 cents compared with the 22 cents which has been paid for each of the two previous years. The latest payment, which is at the top end of expectations, justifies the recent rise in investment opinion of the shares which were 260p in London yesterday.

Less satisfactory, however, is final of 80 cents declared by Buffelsfontein, but it brings the year's total to 190 cents against 150 cents in 1977. The elderly West Rand Consolidated is also paying a lower than expected final, it being 10 cents to make a year's total of 17½ cents against 13 cents.

COLONIAL MUTUAL LIFTS STAKE IN HAMPTON AREAS

Colonial Mutual Life Assurance Society announces that it has acquired from Annuss Trading 628,200 shares of 5p of Hampton Gold Mining Areas at 150p per share subject to the necessary Exchange Control consents.

The big Australian life assurance society announced on Monday that it had acquired 724,600 shares, or 13.9 per cent, in Hampton Areas at 150p per share from CCP North Sea Associates and had approached Hampton Areas to discuss the possibility of making a general offer to all shareholders at the same price.

On Tuesday, Hampton Areas said that further clarification of the position was being sought. The company was consulting its financial advisers, Samuel Montagu, and in the meantime urged shareholders to take no action in regard to their shares. Hampton Areas rose 4p to 154p yesterday.

NORANDA'S 1979 SPENDING MAY RISE TO C$180M

Spending of Canada's Noranda Mines in 1979 for capital and deferred development and exploration programmes is expected to be about C$180m (£78.9m) compared with the forecast of C$134m expenditure for 1978.

The company said the C$180m figure includes the previously proposed acquisition of an aluminium sheet-rolling mill in Tennessee that Noranda agreed to acquire for about US$40m, including working capital effective on January 2.

MINCORP SEEKS MORE VENTURES

Mining Investment Corporation (formerly Selukwe Gold Mining and Finance) states that its policy to expand in the natural resources field and to purchase profit-earning companies is continuing. The main emphasis will be on the existing UK coal operations which provide a substantial part of group profits.

But further opportunities in UK coal are limited and the group is to look at prospects for diversification into other minerals and natural resources, both at home and abroad. But it is not intended to engage in pure exploration projects.

W. E. Norton's record orders

Profits before tax of W. E. Norton (Holdings) were down slightly from £283,000 to £231,000 in the half-year ended September 30, 1978 but the directors are aiming for a year's profit which will compare favourably with the record £647,347 of 1977-78.

First-half sales rose from £4.8m to £6.99m — there is a record order book and the policy is to maintain the steady increase in turnover while at the same time improving margins and controlling the rise in overheads which occurred in the first six months.

The interim dividend is 0.3088p on capital increased by last July's rights issue — last year's interim was equal to 0.1631p adjusted for the scrip issue followed by a similar final.

The directors intend to pay dividends for the current year totalling 1.075p on increased capital.

In his statement to shareholders, Mr. Walter Norton, the chairman, says during the first six months trading continued at a higher level than the corresponding period of last year, but lead times in deliveries produced a temporary dip in profitability.

This, coupled with pressures on margins and the fact that a major item of cost recovery was not finalised as of September 30, resulted in a reduction of gross profit.

The group continues to increase the range of more sophisticated machine tools. So far this year two in-house trade shows have been completed and the group has participated in two major national exhibitions.

As already announced, jointly with Barclays Mercantile Industrial Finance the group has formed Norcantile Leasing, a company whose major objective will be the specialist leasing of machine tools. Two other developments are currently under consideration and the chairman will keep shareholders fully informed when these are advanced.

Tricoville looks to profit rise

A FURTHER increase in profits and earnings per share can be anticipated for 1979 says Mr. D. A. Jacobs, chairman of Tricoville, in his annual statement for the year ended July 19, 1978.

He adds that consumer demand is at present buoyant and the forward order position, which will account for the second half of the financial year, is very satisfactory. "We are hopeful that our record performance will continue."

As previously reported, group pre-tax profit last year was lifted by 27 per cent from £561,802 to a record £713,673. The net dividend was raised from 1.82375p to 2.35p per 10p share which is covered six times.

Mr. Jacobs discloses that Tricoville is forming a subsidiary company in the U.S. This will be mainly a sales organisation as the directors believe that much of the group's range of women's wear is particularly suitable for the American market.

The new company will take at least 18 months to become established, although a pilot marketing scheme has already been carried out with some success.

The group is seeking to acquire more companies in the fashion industry which can be incorporated in its expanded distribution warehouse and its advanced computer system. Finding suitable acquisitions must inevitably take some time.

On the "impressive improvement in liquidity," Mr. Jacobs notes there was free cash of more than £500,000 available at the 1978 year-end, compared with an overdraft in July 1977 of about £1m. Overdrafts are shown down from £1m to £15,296.

The £1.5m improvement in liquidity has been achieved by lower stocks and continued increase in profits.

Regarding the slight drop in turnover—from £9m to £8.79m—the chairman says that certain turnover obtained in the past has been without adequate margins.

Action has been taken to reduce such turnover and to take advantage of the lower stock level the group now requires.

Mr. Jacobs adds that acquisitions in the UK and expansion overseas are, in the directors' opinion, the basis for continued expansion.

Meeting, Winchester House, EC, January 8, 11.30 am.

£1.8m deal as profit soars at James Grant

ANNOUNCING taxable profit sharply up from £381,000 to £603,000 for the nine months to October 31, 1978, the directors of James Grant and Co. (East), house furnishers, state that they have agreed to sell one of the company's shops in Aberdeen for £1.8m cash—some £1.65m over book value.

Railway Pension Nominees is to buy the freehold of the premises at 95-98, Union Street, with vacant possession. The deal is for completion on February 2, 1979. Meanwhile, James Grant is on the move to freehold premises it acquired at 419-421, Union Street, for £260,000.

The directors, reporting on the nine months' performance, say they expect that profit for the full year will be satisfactory. For 1977-78 it was a record £758,000.

The interim dividend is held at 0.375p per 25p share. The company has close status.

Surplus for the first three quarters was struck after taking account of deferred service charges.

The premises being sold, form part of the security for the company's first mortgage debenture stocks. The proceeds will, pending reinvestment in approved properties, be invested by the debenture trustee in approved deposits. The property was last valued in 1965 and appeared in the books at £150,000.

Oil & Assoc. Investment ahead midway

Gross revenue of Oil and Associated Investment Trust was up from £213,749 to £224,327 and after management expenses and interest, pre-tax revenue came out just ahead at £165,162 for the six months to September 30, 1978, against a previous £162,423.

Net revenue increased to £106,777, compared with £100,132, after tax, lower at £58,385 (£62,291).

The interim dividend, raised from 0.5775p to 0.58625p net per 25p share, will absorb £56,315 (£54,259)—last year's final was 1.518p from revenue, after tax, of £200,000.

Retained revenue was £50,462 (£45,873) and net asset value per share is given as 76p at the half-way stage and 75p on full conversion of loan stock (79p as at September 30, 1977).

The net asset value includes the full dollar premium as at half year end, and does not take account of any contingent liability to capital gains tax which would have arisen on the realisation of any part of the Trust's portfolio.

Richards margins under pressure

FROM SALES of £12.76m against £10.22m. profits before tax of Richards, Aberdeen-based textile maker, were down slightly from £768,000 to £705,000 in the year ended September 30, 1978.

When reporting first-half profits of £353,000 against £351,000, the directors said that provided the expectatons for knitwear yarns were fulfilled a reasonable profit for the year should be achieved.

Earnings per share for the year are shown at 3.12p (3.27p). The final dividend is 0.005p against 0.815p making a total of 1.155p compared with 1.035p previously.

Tax takes £328,000 (£372,000) leaving net profits at £377,000 against £396,000.

Commenting on the results, Mr. A. R. Robertson, the chairman, says that despite the continued lack of economic growth throughout Western Europe and a particularly sluggish textile sector, the group managed to achieve a greater market share for all products.

To do so, reduced profit margins had to be accepted which were already under some pressure, and having regard to all the circumstances a modest reduction in profits would not have been surprising.

But for the long delay in commissioning the new dye-house and the slower breakthrough in the sale of knitwear yarns, slightly improved figures would have resulted.

"We are continuing to strengthen our management team and are successfully widening our product range. We expect to improve our profit performance in the current year," the chairman adds.

Armitage Shanks upturn to £2m at mid-year

FOR THE 26 weeks to September 30, 1978, Armitage Shanks Group, maker of sanitary pottery, metal fittings and plastic mouldings, more than doubled pre-tax profits from £0.94m to £2.02m, on turnover of £23.43m against £18.95m.

The directors say UK sales have continued at a satisfactory level and it is anticipated that this level of activity will continue throughout the current year.

However, it continues to be difficult to maintain export volume against severe competition on a worldwide basis and the increasing development of local manufacture, they add.

For the previous full year, turnover totalled £42.31m and profits, £2.49m.

The directors view with concern the present situation in Iran where production is currently suspended.

The company's investment in the share capital of Armitage Shanks (Iran) is 19.8 per cent and amounts to £321,220. In addition, there is a contingent liability in respect of a guarantee relating to a bank loan to Armitage Shanks (Iran) currently standing at U.S.$1.02m.

From half-yearly earnings ahead from 2.52p to 3.88p per 25p share, the interim dividend is kept at the same gross equivalent with a net payment of 2.01p (1.95p). But if the profit level now reported is maintained, the directors intend to recommend an increased final —the 1977-78 final was 2.32p.

	26 weeks 1978 £000	1977 £000
Turnover	23,431	18,952
Interest paid	245	265
Profit before tax	2,024	937
Tax	636	375
To minorities	107	34
Exchange losses	33	6
Extraordinary credit	3	1
Leaving	1,190	825

● comment

Half time profits from Armitage Shanks appear to show an impressive jump but the comparable figure was depressed resulting from a sharp downturn in Australia. A better impression of the current trend can be obtained by comparing with the previous six months. Sales are virtually unchanged and after adding back some £0.3m to last year, relating to costs of a factory closure, profits are ahead by less than a tenth. Sales volume in the UK has marginally moved ahead, helped by a small improvement in building activity, but overseas local competition is building up, particularly in Nigeria, leaving Armitage searching around for new markets. There are no long term order books so forecasting is always uncertain. The group is affected by consumer spending but the recent rise in building society interest rates casts a shadow over prospects, as much of the important renovation market is financed by mortgages. The position in Iran is another uncertainty. Assuming no dramatic changes in trading Armitage could come up with around £3¾m pre-tax for the year—close to its previous peak in 1973-74. So at 78½p the shares stand on a fully taxed prospective p/e of 10 and yield 9.2 per cent, if there is a 10 per cent dividend increase.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Associated Tooling Industries, Baker Perkins, Brent Walker, British Building and Engineering Appliances, British Tar Products, Buckley's Brewery, Burnett and Hallamshire, Castings, Cattle's Holdings, Cawoods, Churchbury Estates, Duraplpe, General Electric, Great Universal Stores, J. Lyons, Mansfield Brewery, Peeler-Hattersley, Philips' Lamps, Pitman, Alexander Russell, Sogomana, Stonehill, Wagon Industrial, Wilkins and Mitchell, W. Williams.

Finals—British Sugar, James Crean, Keystone Investment, Mitchell Cotts, John Williams of Cardiff.

FUTURE DATES

Interims—	
Barker and Dobson	Dec. 11
Brown (N.) Investments	Dec. 11
Dom Holdings	Dec. 11
Doornfontein Gold	Dec. 12
Erskine House Investments	Dec. 8
Kloof Gold	Dec. 12
LRC International	Dec. 12
Libanon Gold	Dec. 12
Norcros	Dec. 15
Saint Piran	Dec. 14
Scottish and Newcastle Breweries	Dec. 20
Trafford Carpets	Dec. 14
Venterspost Gold	Dec. 12
West Driefontein Gold	Dec. 12
Finals—	
Burton Group	Dec. 14
Charterhouse Group	Dec. 21
Dobson Park	Dec. 12
East Driefontein Gold	Dec. 12
Houfray	Dec. 21
ICI	Dec. 14
Marley	Dec. 13
North British Steel	Dec. 15
Pyke (W. J.)	Dec. 12
Sperati (C. A.)	Dec. 11
Trafalgar House	Dec. 12
United Spring and Steel	Dec. 13
Vlakfontein Gold	Dec. 12

Rotaprint first-half margins cut

ON SALES up from £5.99m to £6.79m Rotaprint, the printing and duplicating equipment group, announces pre-tax profits virtually static at £115,000, against £111,000, for the half year to September 30, 1978.

The latest pre-tax figure was struck after interest of £170,000. The previous year's profit was after interest of £119,000 and after deducting £3,000 start-up costs of a new factory. Tax takes £30,000 (£31,000).

The interim dividend is held at 1.1205p net. The previous year's total was 2.9324p, after a final of 1.8119p, from pre-tax profit of £313,000.

Sales for the half year went up from £5.99m to £6.79m and the directors say UK sales—up by 22.5 per cent—followed the previous year's pattern.

But there were mixed results in export markets. Sales to Japan more than doubled and those to Scandinavia increased by 44 per cnet. But sales to Iran were particularly disappointing because of the political difficulties there. The French distributor suffered domestic difficulties which resulted i npurchases falling to a low level.

For the year to March, 1978, 64.2 per cent of the company's sales were in the UK, 17.7 per cent in Europe and 18.1 per cent in other countries.

Caravan setback at Peak Invs.

A loss of £209,433 by its caravan subsidiary, Peak Trailers, left Peak Investments with a pre-tax deficit of £45,348 for the year to May 31, 1978, against profits of £211,009. Turnover was down from £5.67m to £5.23m.

The directors say that the current year should be better for the group, with greatly improved results coming in 1979-80, particularly from the caravan side.

They are taking steps to improve the trading position of Peak Trailers. Plans are being made to transfer manufacture to more suitable premises with a substantial lowering of overheads.

Although the company is currently operating at a loss, the directors believe that with the changed overhead structure and the prospect of increased sales in the early months of 1979, the trading position will improve substantially by the end of the current year.

There is no interim dividend for the period compared with a payment of 0.5p for 1976-77.

The directors explain that the caravan industry has been through a difficult period and as a major supplier to the industry, Peak Trailers suffered a reduction in turnover of almost 18 per cent.

Profits of the property division were slightly lower at £146,867.

The group's charges were reduced substantially during the year, the directors state, partly because of less use of overdraft facilities.

Pre-tax figure was struck after interest of £169,302 (£235,481). However, there was a tax credit of £88,565 (£80,469 charge) making a net profit of £42,717 (£130,340). Minorities took £21,146, against £20,170, and there was an extraordinary credit of £26,941 (nil). Profit came out at £48,512 (£110,301). Earnings are shown as 0.28p (1.45p) per 10p share, before the extraordinary credit.

Bellway's reconstruction to boost market value

BY ARNOLD KRANSDORFF

THE proposed reconstruction of Bellway Holdings into two separate companies is expected to be completed by early May, 1978, Mr. E. Ward, commercial director, disclosed yesterday.

Presenting the annual report and accounts for 1977/78, Mr. Ward said that the company understands that the Inland Revenue will not object to the scheme, which will segregate the group's property investment and development interests from its housebuilding and associated activities.

Under the scheme, shareholders of Bellway Holdings will get a proportional interest in the two new companies—Bellway Builders and Bellway Properties. Both companies will be listed on the Stock Exchange.

Mr. Ward said that the main reason for the reconstruction was to "explode the share price nearer to the group's true asset value." He claimed that "the combined value of the two new companies would substantially exceed Bellway's current market value of £21m.

Mr. Ward also disclosed that the group's properties were currently being revalued. In the latest balance sheet the value of freehold land and buildings is put at £16.1m, a figure assessed at July 31, 1977.

The present valuation is expected to be in the region of £24m but this will be announced after the end of January next year. More details of the reconstruction scheme will be given at the company's annual meeting on January 19, 1979.

Meanwhile, the latest balance sheet shows a substantial improvement in liquidity. At July 31, 1977, net borrowings stood at £8.3m (£14.36m), compared with shareholders' funds of £17.5m, excluding deferred tax of £3.67m.

In his annual statement, Mr. J. Bell, the chairman, states that the proved need for private housing continues at a high level, but the continued creation of an artificial shortage of building land is materially increasing the cost to private house purchasers.

As known, pre-tax profit for the 1977-78 year amounted to £3.27m (£0.14m) on turnover of £32.65m. Dividends totalled 2.915p per share, against 2.61p.

Mr. Bell reports that good progress has been made in the realisation of the group's assets in France but delays have arisen in the sales of some land. The closure of the Australian operation is being undertaken and negotiations are in hand to dispose of the remaining assets, he adds.

Today's Company Meetings

Allied London Properties, Inn on the Park, Park Lane, W. 12. Bryant, Cranmore House, Solihull, 3.30. James Halstead, Radcliffe New Road, Whitefield, Manchester, 12. London Scottish Finance Corporation, St. James Club, Charlotte Street, Manchester, 12. Pressac, Post House, Bastocks Lane, Sandiacre, Nottingham, 3. Samuel Properties, 18 St. James's Square, SW, 3. J. Smart, 28 Cramond Road, S. Edinburgh, 12.

Mid-year upturn at Victoria Carpet

A SURGE in UK orders in August and September and a more gradual improvement in Australia are reflected in the recovery from a £13,890 loss to a £369,284 pre-tax profit at Victoria Carpet Holdings for the half year to September 30, 1978.

The turnround was also helped by an exceptional gain of £126,380 relating to a contribution from a temporary employment subsidy and to the amount so far recovered from the Bond Worth debt.

Provision of £110,979 against this debt, following the collapse of the carpet wholesaler, was the cause of the company falling into deficit last time.

Demand in the UK has not held the high levels seen at the end of the first half and the directors expect some reduction in activity in the early months of next year. Added to this the Australian company has been faced with a severe federal budget and, in September, with a dock and transport strike. Nevertheless they anticipate demand being more stable there than in the UK.

Encouraged by the results so far, however, the Board has raised the net interim dividend to 0.5p (0.4375p) and expects to pay at least the same as last year's 0.9701p final.

At fulltime in 1977/78, apart from the bad debt provision, the company was also affected by the continuing decline in demand for its Axminster range of carpet and profit slid from £248,000 to £126,000, compared with the record £1.12m seen in 1973/74.

The exceptional mid-year gain should be disregarded in assessing the group's profitability, the directors comment. It is likely to be a long time before they know whether they will recover any part of the unsecured balance of the Bond Worth debt.

Operating profit for the half-year was 130 per cent ahead at £242,904 and there was a tax charge this time of £192,028 (nil), leaving a net surplus of £177,256 (loss £13,990). The interim dividend, less waivers, will cost £24,900 (£16,563).

In July this year the directors said that a temporary employment subsidy had been granted until the end of September 1978 and with this assistance they hoped to maintain production of Axminster carpet.

They now state that they have sought approval for a further extension of the subsidy from the EEC but delay appears inevitable.

The reorganisation of the Axminster department, for which the subsidy was granted, has not yet become fully effective due partly to lack of time for preparing a new range to obtain the best advantage of the Autumn selling season. Even so, although this department is still losing money the results are sufficiently improved to justify their persevering, they add.

APPOINTMENTS

Changes on Overseas Containers' Board

Following the death of Mr. K. Reynolds, who was managing director, Mr. R. O. C. Swayne, the chairman, will take over the duties of managing director of OVERSEAS CONTAINERS. Mr. J. M. Corbet-Singleton will become chairman and chief executive of Overseas Container (Europe) from December 12. Mr. R. F. Cornwell will continue as a member of the executive committee and will become the director responsible for the Far East trade division and the Pacific Basin trades.

Mr. R. J. A. Harmer will become the deputy chairman of Overseas Containers (Europe) from December 12, with special responsibility for systems and management services division. Mr. R. P. M. Wormal, in addition to his existing responsibilities, will take responsibility for administration and research and development of new trades. It is proposed that Mr. M. R. Read be appointed finance director from January 1. It is expected that the changeover from Mr. Cornwell to Mr. Read and Mr. Harmer to Mr. Cornwell will be completed by the end of January.

★

The Secretary of State for Transport has made five appointments to the Board of the PORT OF LONDON AUTHORITY. Sir Robin Gillett, Mr. H. W. Hinds and Mr. P. Shea are to serve for three years from January 1 and Mr. D. J. Allison was re-appointed for the same period. In addition, Sir Derek Mitchell will fill a casual vacancy arising at the end of this year, until December 31, 1979.

★

Mr. Peter J. Fleming has been promoted to commercial director of WELLMAN MECHANICAL ENGINEERING, Darlaston, West Midlands. He joined the firm in July last year as commercial controller. The company is a subsidiary of The Wellman Engineering Corporation, London.

★

The Secretary of State for Education and Science has made four new appointments and one reappointment to the ARTS COUNCIL of Great Britain. New members are Mr. Bernard Atha, Mr. Robin Guthrie, Miss Marghanita Laski and Prof. Anthony Quinton. Dr. Richard Hoggart has been reappointed. These appointments run from January 1 until December 31, 1981.

★

Mr. Julian B. Paul has been appointed executive director—banking of BANCO URQUIJO HISPANO AMERICANO, believed to be the only Spanish merchant bank in the City of London.

★

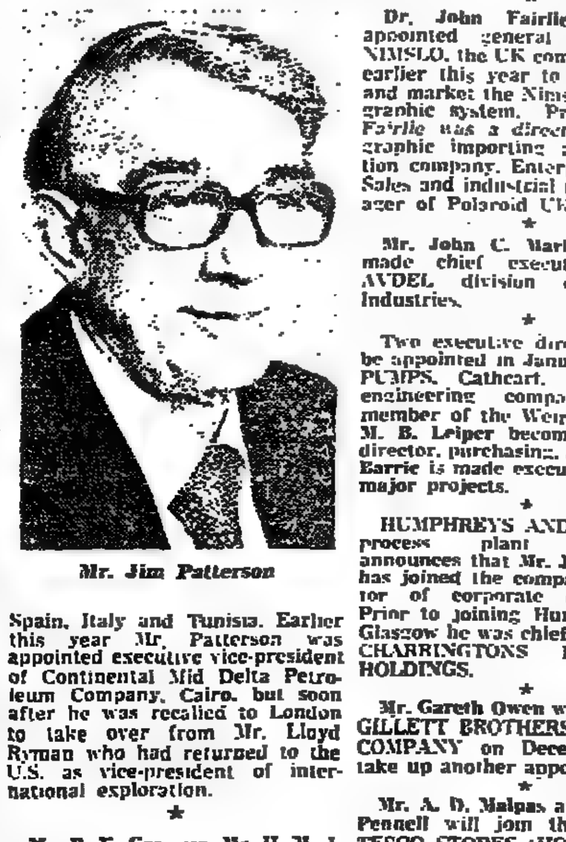
Mr. John A. Wheeler has been appointed managing director, CBS MANUFACTURING. He was previously operations director—manufacturing, LYONS BAKERY, and succeeds Mr. George Ridnell who is returning to New York to take up an appointment within the CBS Group. Mr. Wheeler will be responsible for all the company's manufacturing and distribution operations.

★

HEPWORTH INDUSTRIAL PLASTICS, P.V.C. manufacturers within the Hepworth Ceramic group, has appointed Mr. Alan W. Bell as marketing director.

★

Mr. J. C. (Jim) Patterson has been appointed managing director of exploration for CONTINENTAL OIL COMPANY (Conoco), based in London. His areas of responsibility cover the UK, Norway, Chad, Niger, Central African Republic, Netherlands,



Mr. Jim Patterson

Spain, Italy and Tunisia. Earlier this year Mr. Patterson was appointed executive vice-president of Continental Mid Delta Petroleum Company, Cairo, but soon after he was recalled to London to take over from Mr. Lloyd Ryman who had returned to the U.S. as vice-president of international exploration.

★

Mr. R. E. Granger, Mr. H. M. J. Ritchie and Mr. C. S. Stewart have been appointed to the Board of HOGG ROBINSON, part of the Hogg Robinson Group.

★

Dr. John Fairlie has been appointed general manager of NIMSLO, the UK company formed earlier this year to manufacture and market the Nimslo 3-D photographic system. Previously, Dr. Fairlie was a director of photographic importing and distribution company, Enterprise Leisure Sales and industrial product manager of Polaroid UK.

★

Mr. John C. Marley has been made chief executive of the AVDEL division of Newman Industries.

★

Two executive directors are to be appointed in January at WEIR PUMPS, Cathcart, Glasgow, an engineering company and a member of the Weir Group. Mr. M. B. Leiper becomes executive director, purchasing, and Mr. J. D. Barrie is made executive director, major projects.

★

HUMPHREYS AND GLASGOW, process plant contractors, announces that Mr. John Dowling has joined the company as director of corporate development. Prior to joining Humphreys and Glasgow he was chief executive of CHARRINGTONS INDUSTRIAL HOLDINGS.

★

Mr. Gareth Owen will be leaving GILLETT BROTHERS DISCOUNT COMPANY on December 31 to take up another appointment.

★

Mr. A. D. Malpas and Mr. H. F. Pennell will join the Board of TESCO STORES (HOLDINGS) on January 1.

THE MICROELECTRONICS DEBATE

REPORT BY JOHN ELLIOTT AND JOHN LLOYD

Scheme to meet challenge

A FIVE-PART programme aimed at ensuring that British industry harnesses new micro-electronic developments was launched yesterday by three Government Departments at a meeting of the National Economic Development Council.

The Council debated the use of micro-electronics against the background of papers submitted by the Government Departments, the Central Policy Review Staff and the National Economic Development Office.

The Departments said in their joint paper that the potential consequences of the microchip revolution evoked "a mixture of fear and excitement." This point was picked up by Mr. James Callaghan, Prime Minister, who told the meeting that the Government's programme would cost £100m over three years. There would be "crucial job losses;" but new jobs would also be created.

The five-part programme proposed by the Departments of Industry, Employment, and Education and Science involves: making people aware of the potential of micro-electronics; training and retraining workers; reorientating education arrangements; providing direct Government financial support to industry; and gearing public sector purchasing to accommodate micro-electronic products.

"Micro-electronics is likely to be the dominant technology of the next decade," says the Departments' paper.

"The potential consequences evoke a mixture of fear and excitement. The excitement is about the possibilities of dramatic increases in productivity, for saving resources of all kinds (especially energy), and for improving working conditions. The fear is of increasing rapid change, especially in employment patterns.

"But as a trading nation we have only one realistic option—to seize the opportunity provided by this new technology to catch up with our industrial competitors and to adopt and develop it at least as fast and comprehensively as they do. To opt out will lead to the very worst fears being realised."

Micro-electronics would provide the UK with an opportunity to compete more successfully in world markets. "It is vital that industry presses ahead with applications to ensure that we do not fall behind our competitors and that we grasp all the opportunities which micro-electronics," presents to us says the paper.

This means that the Government has rejected the alternative approach of the UK importing all its micro-electronics components, which themselves are not of very high value. "In this fast-changing technology total reliance on overseas suppliers could put our users at a disadvantage compared with the user industries in the home country of the supplier," the paper says.

On the other hand, manufacture in the UK would help to improve the competence of industries using micro-electronics. Without having a micro-electronics manufacturing industry, "we could find ourselves not just importing the relatively low-value micro-electronic components, but much of the equipment into which these components are built."

The Government's consequent strategy for the industry falls into three parts.

First, it aims to establish a "production capability for the very high volume technically advanced products of the future which will have major overseas and home markets." The National Enterprise Board's £50m INMOS microchip project falls into this category.

But, says the paper, there is room for "inward investment by the established multi-national companies, either on their own or in collaboration with UK-owned companies." It cites the recently-announced GEC-Fairchild plans for producing memories and micro-processors as an example.

Second, it wants to create "a capability to provide user companies with special micro-electronics products and with the essential research, development, design and test services." This would be based largely in UK-owned companies, or on multinationals willing to become "committed to the UK user industries."

Third, the Government wants an infrastructure industry established to supply specialised production equipment, materials technology and computer-aided design and test facilities for home and overseas markets.

The Government's five-part £100m programme is aimed at achieving this. To increase awareness of the potential of micro-electronics it is working with the National Computing Centre and with consultants to get the message across at senior levels of both sides of industry and in other organisations.

"We aim to involve some 50,000 key decision-makers over the next three years or so" says the paper, reiterating an Industry Department announcement made on October 30: This will cost £10m and there will also be other intiatives.

On training and retraining, the Government aims to prevent skill shortages being a major constraint to the adoption of the new technology. Plans are being drawn up by the Manpower Services Commission and individual industries' training boards.

Existing courses are also being developed, as an interim measure, to train an extra 3,000 people in computer software skills by next autumn.

The education contribution includes increasing the supply of teachers in basic subjects, training teachers in new developments, and making schools and colleges more aware of the opportunities offered.

The fourth part of the Government's programme is its financial aid to industry. Its £15m micro-processor applications project aid scheme launched by the Industry Department in July is being boosted to £55m.

Finally, the Government has plans for public sector purchasing "to be in the lead in applying micro-electronics wherever this is possible and economically desirable.

Ashley Ashwood

Mr. Geoffrey Chandler, director-general of NEDO, and Mr. Eric Varley, Secretary of State for Industry.

British industry lags behind

THE RATE at which microelectronic technology is being taken up by U.K. industry already lags behind that of foreign competitors, including France, West Germany, Sweden, Japan and the U.S., according to a memorandum by the Director General of the National Economic Development Council, Mr. Geoffrey Chandler.

The ability of UK industry to take advantage of the benefits of microelectronics depended on the willingness of management and unions to accept big changes. These changes would bring new markets, but could raise fears and misunderstandings. It was thus essential for the various sector working parties and economic development councils, as tri-partite bodies, to promote understanding of the steps needed for the successful application of microelectronics to industry.

In a review of the progress of the working parties, the memorandum notes that:

● The electronic components working party had identified several options for the manufacture of high volume standard circuits, on which action had been taken.

● The computer working party had commissioned a study on future manpower needs, while the radio radar party had commissioned a report on priority technologies for the 1980s.

● The telecommunications party was studying the employment implications of the switch from electro-mechanical to electronic technology.

● Other parties outside the electronics sector had also studied the implications of microelectronics in different ways. The domestic electrical appliances party had prepared a major report on the subject, while the office equipment group was concerned that UK industry lagged behind other countries in moving towards the manufacture of word processing machines.

● Working parties in other industrial sectors, as diverse as pharmaceuticals, paper and board, machine tools and distributive trades were making their own assessments of the opportunities created for their industries by the application of microelectronics.

But in many sectors, progress was slower than in competing countries, and there was a pressing need to identify constraints and bring users and suppliers of microelectronic products closer together. The National Economic Development Council had started work on a general study of the factors influencing the UK economy over the next 10 to 15 years, including the development of microelectronics.

Change need not cost jobs claims Think Tank report

THE introduction of micro-electronics in industry need not result in higher unemployment if the UK remains competitive in the sectors affected by rapid change. That is the view of a paper on the social and employment implications of micro-electronics by the Central Policy Review Staff, the Government's "think tank."

In a guardedly optimistic paper, which stresses the difficulties of accurate forecasting, the review staff emphasises the need for UK industries to be with the leaders in technological innovation, if wide-scale unemployment is to be avoided.

Reports suggesting unemployment resulting from micro-electronic applications could be between 3-5m, overestimated the speed at which these applications would be introduced. It also underestimated new markets created.

The paper said: "Everything will depend on whether job creation matches job reduction . . . we have yet to be convinced that micro-electronics will be a major factor for the worse, unless the general prospects for employment make for increased unwillingness to accept technological change."

Two important factors are that the UK must adopt the new technology at least as quickly as its competitors, and while government action was important, more important were the decisions of managers and trades unionists in determining the rate of change.

The report gave several case studies in the private and public sector where the effects of micro-electronics applications can already been seen.

● In the civil service, the introduction of computers was widely predicted to have an adverse effect on jobs. Instead, people employed in areas into which computers were introduced rose, and staff "freed" by computers were absorbed in new services.

● The introduction of word processors into offices did not usually result in staff cuts. The extra productivity available from a word processor was often absorbed into extra, prestige services.

● The use of micro-electronic-based stock control systems in warehouses had resulted in gains from the reduction of the amount of capital tied up in stock.

● In an engineering factory, a microprocessor-based control system had reduced the production cycle and given the company greater confidence in bidding for exports. A few jobs were lost, but mainly in the clerical area.

● Job losses could result in the car industry where new, automated production lines were laid down but the numbers employed depended more on the UK's market share and export prospects.

● In telecommunications equipment manufacture, jobs had been lost in the switch from electro-mechanical production to electronic. However, there would be an increased need for design engineers, and for workers to manufacture a new range of equipment which electronic exchanges made possible.

The case studies showed applications rarely led to direct job substitution. The applications often led to improved services being offered and major changes were not usually on employment but on organisation structure and product range.

The report's section on employment ended with the warning: "It is of the utmost importance that the UK be ahead of its competitors in benefiting from the productivity increases which the application of micro-electronics will make possible. Internationally, it will be a case of the devil taking the hindmost."

In a more speculative passage on other social effects, the report suggests:

1—Health hazards in industrial processes will tend to be reduced.

2—New skills will be acquired, as production workers "are increasingly distanced from the production line." However, automation will mean a decrease of some present skills. In many occupations, present demarcation lines would become blurred.

3—Falling telecommunication costs, and the availability of remote computer facilities, will lead to more decentralised work centres, and possibly more working from home for white-collar workers.

4—Services — such as medical and social services—will increasingly be aided by the use of improved telecommunication and computing devices.

5—There is some concern that the advantages of the new technology will be less available to the disadvantaged. The public sector, through such agencies as the Post Office, should ensure general distibution of their advantages.

6—Interactive media, such as Prestel—where the customer can indicate preferences as well as receive information — could be used in referenda organised by local or central government.

Components trade prospects depend on manufacturers

PROSPECTS FOR the growth of the electronic components industry, like those for the UK economy as a whole, depend on the response of the manufacturing sector to the microprocessor revolution, according to Mr. Eric Hammond, chairman of a special working party of the National Economic Development Council. Mr. Hammond is also an executive council member of the Electrical, Electronic, Plumbing and Telecommunications Union.

UK electronic components companies produce valves, cathode ray tubes, semiconductors, diodes and rectifiers, integrated circuits and a range of more traditional components such as capacitors, resistors, connectors and electro-mechanical devices. Last year's production was worth more than £900m, and there are 128,000 people employed (half of them women) in more than 500 companies.

Output is growing at between 15 and 20 per cent a year and is expected to grow by about 15 per cent a year until 1980. Employment is expected to remain between 125,000 and 128,000.

In the medium term the components working party believes that the industry should try to increase exports and reduce the rate of growth of imports. The UK's share of world trade has remained stable at about 5.6 per cent, but the trade deficit in components has grown from £143m in 1973 to £235m last year.

If UK industry contains imports, and holds its world trade share in a market, growing by 15 per cent a year, the working party estimates that employment could remain about 125,000 with the growth in productivity matching the growth in output.

Its report emphasises the need for the industry to develop production of mass-volume "standard" integrated circuits capable of performing a variety of functions and reaching a wide market. Initial capital costs and risks are high, as standards can only be produced economically at high volume in large plants, and must attract a sizeable export market.

A second constraint is the shortage of skilled microelectronic engineers, one which is serious and growing. Pay restrictions and the erosion of differentials has aggravated the problem. Industry will need to use staff as productively as possible, and refresher and retraining courses should be available.

Microelectronics will radically alter many manufacturing and marketing processes. Opportunities include computer-controlled machine tools, production and inventory controls and the use of robots for routine tasks.

As a result UK manufacturers have the opportunity to improve their competitiveness in a wide range of products and services . . the components industry will have an important role in helping users to assimilate advanced technologies.

The report makes particular mention of the developing technology of opto-electronics, a method of transmitting messages by laser beam rather than by electrical impulse, and one already identified by the development council as a key technology for the next two decades. Foreign competitors are beginning to invest heavily in optical fibre industries, and the working party recommends considerable Government support for the UK industry.

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Currency, Money and Gold Markets

Dollar eases in quiet trading

Trading in yesterday's foreign exchange market remained at a low level. The outcome of the EMS proved to be something of a disappointment and dealers tended to revert to pre-EMS positions, with the dollar receiving central bank support and tending to ease under real pressure.

Yesterday the U.S. unit came under some pressure during the morning and may have received official support. Later trading saw very little movement and the dollar finished slightly weaker where changed. The Swiss franc improved to SwFr 1.7080 from SwFr 1.7125 and the D-mark was also slightly stronger at DM 1.9170 from DM 1.9180.

The yen was also firmer at Y197.30 compared with Y197.50 previously. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation was unchanged at 8.3 per cent. On Bank of England figures its index fell slightly from 85.0 to 84.9.

Sterling opened at $1.9470 and touched $1.9440 briefly before rising to $1.9500 at lunch. By mid-afternoon it had risen on dollar weakness to $1.9550, but closed slightly below this figure at $1.9510-1.9520, unchanged from Tuesday. On Bank of England figures, the pound's trade weighted index was also unchanged at 62.7, a level held at all the day's calculations.

FRANKFURT—The dollar was fixed at DM1.9183 yesterday, down from Tuesday's level of DM1.9248. The Bundesbank bought $8.1m at the fixing. The dollar's fall came despite official denials that the D-mark would be revalued ahead of the implementation of the EMS. However, there is still a strong feeling that the West German currency may be revalued in the first few months of the new system. Near the close of trading the dollar was quoted at DM1.9134, slightly down from the fixing level.

PARIS—In thin and quiet trading the dollar showed a weaker tendency towards the close, with uncertainty continuing after Tuesday's decisions affecting the EMS. The U.S. unit eased to FFr 4.3990 after FFr 4.4175 in the morning and FFr 4.4090 on Tuesday. The franc also improved against the D-mark to FFr 2.2950 compared with FFr 2.2975 previously, while the Swiss franc improved to SwFr 2.5750 from SwFr 2.5885 in the morning, but slightly lower than Tuesday's level of SwFr 2.5785.

NEW YORK—After its weaker trend in Europe, the dollar continued to decline against most currencies. There was still a lot of uncertainty surrounding the EMS and the possibility of any currency realignments. Dealers were also concerned over the renewed strength of the Japanese yen. In early trading there did not appear to be any intervention by the Federal authorities, although trading remained rather thin. Sterling was quoted at $1.9532 against $1.9475, with the Swiss Franc at SwFr 1.7067 from SwFr 1.7040, and the West German Mark improving to DM 1.9153 compared with DM 1.9175 late Tuesday.

MILAN—The lira was stronger against the dollar but showed a mixed performance against European currencies and was little affected by the Italian authorities' decision to remain outside EMS for the time being. The U.S. unit was fixed L850.55 compared with Tuesday's fixing of L852.80 previously.

ZURICH—Following a rather surprising trend, the U.S. dollar was quoted weaker on fairly heavy selling pressure. There was probably a fair degree of support given by both the Swiss and German authorities. The U.S. unit was quoted at SwFr 1.7100 against the Swiss franc with the D-mark at DM 1.9135 just before noon.

AMSTERDAM—The dollar was fixed at Fl 2.0770 yesterday, slightly down from Tuesday's fixing of Fl 2.0875.

TOKYO—In fairly quiet trading the dollar showed a slight gain against the yen, and closed at Y198.0 compared with Tuesday's level of Y196.80. After opening at Y197.20, the U.S. unit rose to a day's high of Y198.05 with most of the rise being attributed to the possible over decline in the past few days. In the absence of any factors to influence the market, there was no intervention by the Bank of Japan. Trading in the spot market accounted for $342m while forward trading totalled $82m and swap dealings at $610m.

BRASILIA — The Brazilian cruzeiro was devalued for the 15th time this year yesterday, and was quoted at 20.37 cruzeiro compared with the previous level of 19.95 in terms of the dollar. This makes a total devaluation this year of 27.712 per cent.

THE POUND SPOT / FORWARD AGAINST £

Dec. 6	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	1.9440-1.9550	1.9510-1.9520	0.56-0.45c pm	3.07	1.27-1.17c pm	2.50
Canadian $	10¾	2.2830-2.2800	2.2880-2.2380	0.90-0.80c pm	4.46	2.20-2.10c pm	3.76
Guilder	6½	4.04-4.07	4.05½-4.06½	7⅞-5⅞c pm	3.33	4½-3⅝c pm	4.06
Belgian F	6	58.00-58.35	58.10-58.20	20-10c pm	3.04	60-50c pm	3.72
Danish K	8	10.38-10.45	10.39-10.40	¼-2¼ore dis	-1.44	12-5½ ore dis	1.06
D-Mark	3	3.73-3.76	3.74-3.75	3¼-2¾pf pm	9.61	9¾-8¾pf pm	9.75
Port. Esc.	18	91.10-91.80	91.30-91.70	60-105c dis	-10.83	140-310c dis	-9.84
Span. Pes.	8	139.35-139.55	139.40-139.50	80-160c dis	-9.90	260-500c dis	-8.89
Lira	10½	1,656½-1,666½	1,659-1,660	7-5 lire dis	-1.45	4-7 lire dis	-1.33
Norwgn. K.	7	9.99½-10.05	9.99½-10.00½	3½-1½ore pm	2.70	6½-4½ ore pm	2.30
French Fr.	9½	8.57½-8.62	8.57½-8.58½	3½-2½c pm	3.85	9½-7½c pm	3.85
Swedish Kr.	6½	8.56-8.67	8.65½-8.64½	4¼-2¾ore pm	5.21	12¾-10¾ore pm	5.21
Yen	3½	382-390	384½-386½	4.56-4.36y pm	13.70	12.90-11.70y pm	12.80
Austria Sch.	4½	27.35-27.58	27.40-27.45	20-12 gro pm	7.44	52-42 gro pm	6.86
Swiss Fr.	1	3.32½-3.36	3.33-3.34	4-3c pm	12.59	11¼-10¼c pm	12.74

Belgian rate is for convertible francs. Financial franc 60.35-60.45.

Six-month forward dollar 2.17-2.07c pm. 12-month 4.15-4.05c pm.

THE DOLLAR SPOT / FORWARD AGAINST $

December 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	85.17-85.30	85.27-85.30	0.05-0.07c pm	0.75	0.20-0.23c pm	0.96
Guilder	2.0760-2.0825	2.0770-2.0785	0.14-0.09c pm	0.53	0.95-0.87c pm	1.73
Belgian Fr	30.27-30.38	30.27-30.29	3½-2c pm	1.09	10-6c pm	1.39
Danish Kr	5.3240-5.3530	5.3240-5.3265	1.75-2.25ore dis	-4.38	5.00-5.50ore dis	-3.95
D-Mark	1.9145-1.9220	1.9145-1.9155	1.06-1.01pf pm	6.48	3.55-3.50pf pm	7.40
Port. Esc	46.85-47.18	46.85-47.00	47-57c dis	-13.30	110-180c dis	-12.34
Span. Pta	71.40-71.70	71.48-71.53	30-50c dis	-6.49	155-180c dis	-9.36
Lira	850.45-852.35	850.40-850.70	2.80-3.30lire dis	-4.38	7.90-8.90lire dis	-3.76
Nrwgn. Kr	5.1120-5.1475	5.1125-5.1280	0.10-0.50ore dis	-0.68	0.45-0.85ore dis	-0.51
French Fr	4.3975-4.4225	4.3975-4.4000	0.40c pm-par	0.54	1.00-1.30c pm	1.41
Swedish Kr	4.4275-4.4440	4.4290-4.4300	1.00-0.85ore pm	2.61	3.05-2.85ore pm	2.75
Yen	196.65-198.20	197.20-197.30	1.78-1.68y pm	10.55	4.90-4.80y pm	9.95
Austria Sch	14.02-14.09	14.05-14.03	5.50-4.50gro pm	4.12	17.0-14.5gro pm	4.47
Swiss Fr	1.7040-1.7200	1.7070-1.7085	1.51-1.46c pm	10.38	4.62-4.57c pm	10.64

* U.S. cents per Canadian $.

CURRENCY RATES

December 6	Special Drawing Rights	European Unit of Account
Sterling	0.662396	0.672536
U.S. dollar	1.27285	1.31171
Canadian dollar	1.49297	1.53946
Austrian schilling	17.3714	18.4152
Belgian franc	38.6322	39.8104
Danish krone	6.80651	7.01642
Deutsche Mark	2.43926	2.51523
Guilder	2.64379	2.72586
French franc	5.60163	5.72329
Lira	1082.99	1116.03
Yen	251.650	258.836
Norwegian krone	6.54902	6.73498
Peseta	91.0855	93.8372
Swedish krona	5.65421	5.82480
Swiss franc	2.17664	2.24221

CURRENCY MOVEMENTS

December 6	Bank of England Index	Morgan Guaranty changes %
Sterling	62.72	-41.1
U.S. dollar	84.96	-8.3
Canadian dollar	80.44	-17.1
Austrian schilling	144.36	+18.9
Belgian franc	113.24	+10.5
Danish krone	116.76	+6.2
Deutsche Mark	147.71	+38.8
Swiss franc	192.99	+82.7
Guilder	123.18	+19.6
French franc	92.11	-4.5
Lira	54.42	-48.7
Yen	147.93	+45.9

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Dec. 6	£	$		£ Note Rates
Argentina Peso	1.879-1.883	962.85-964.90	Austria	27.28
Australia Dollar	1.7153-1.7203	0.8805-0.8817	Belgium	60-61½
Finland Markka	7.9150-7.9500	4.0550-4.0650	Denmark	10.35-10.55
Brazil Cruzeiro	38.56-39.56	19.75-20.25	France	8.55-8.70
Greek Drachma	71.171-72.915	36.47-37.37	Germany	3.70-3.80
Hong Kong Dollar	9.34-9.36	4.7950-4.7980	Italy	1630-1700
Iran Rial	142.-3.146.55	73.5-75.5	Japan	380-390
Kuwait Dinar (KD)	0.529-0.539	0.27490-0.27510	Netherlands	4.00-4.10
Luxembourg Franc	59.10-59.20	30.29-30.31	Norway	9.9-10.10
Malaysia Dollar	4.2925-4.3075	2.2000-2.2040	Portugal	90-100
New Zealand Dollar	1.8600-1.8670	0.9545-0.9580	Spain	139½-143½
Saudi Arabia Riyal	6.50-6.60	3.3690-3.3730	Switzerland	3.30-3.40
Singapore Dollar	4.26-4.27½	2.1880-2.1895	United States	1.9400-1.9500
South African Rand	1.6805-1.7065	0.8610-0.8745	Yugoslavia	41.43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Dec. 6	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.952	3.746	385.5	8.585	3.335	4.060	1660	2.289	59.15
U.S. Dollar	0.512	1.	1.919	197.5	1.398	1.709	2.080	850.1	1.173	30.31
Deutschemark	0.267	0.521	1.	102.9	2.292	0.891	1.081	443.1	0.611	15.79
Japanese Yen 1,000	2.594	5.062	9.715	1000.	22.26	8.661	10.53	4305	5.936	153.4
French Franc 10	1.165	2.274	4.364	449.2	10.	3.886	4.731	1934	2.666	68.92
Swiss Franc	0.300	0.585	1.123	115.6	2.573	1.	1.217	497.6	0.686	17.74
Dutch Guilder	0.246	0.481	0.922	94.95	2.114	0.821	1.	408.7	0.564	14.57
Italian Lira 1,000	0.603	1.176	2.257	232.3	5.173	2.010	2.447	1000.	1.379	35.64
Canadian Dollar	0.437	0.853	1.636	168.5	3.750	1.457	1.774	725.1	1.	25.85
Belgian Franc 100	1.691	3.299	6.331	651.7	14.51	5.639	6.864	2806	3.868	100.

EURO-CURRENCY INTEREST RATES

Dec. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	12⅛-12⅝	9⅝-9⅞	8½-9½	9¼-10	[illegible]	3½-3¾	11½-12½	10-14		1½-3½
7 days' notice	12¼-12⅞	9⅞-10	8½-9½	9¾-10	[illegible]	3¼-3½	9½-10½	11-13	9½-10	-2½-...
Month	12⅛-12⅝	10⅛-10⅜	9⅛-9⅜	9¾-10	[illegible]	3½-4	9⅞-10⅛	14-15	10⅛-10⅜	1¼-1⅝
Three months	13⅝-14	11⅝-12⅛	10⅛-10⅜	9⅛-9⅜	[illegible]	3⅞-4	10⅛-10⅝	15-16	11⅛-11⅜	1⅛-1⅜
Six months	14⅛-14½	12⅛-12⅜	10⅛-10⅜	9¼-9½	[illegible]	4-4⅛	10⅝-11⅛	16-17	11⅝-11⅞	2⅛-2⅜
One year	13⅞-14⅛	11½-11¾	10¼-10½	8⅜-8⅞	1¼-1½	4⅛-4⅜	10⅝-11⅛	16½-17½	11⅛-11⅜	2⅛-2⅜

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.50-10.60 per cent; three months 11.70-11.80 per cent; six months 11.65-11.75 per cent; one year 11.35-11.45 per cent.

Long-term Eurodollar deposits: Two years 10¾-10⅞ per cent; three years 10⅛-10⅜ per cent; four years 10⅛-10⅜ per cent; five years 10⅛-10⅜ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Belgian rates firmer

Short term Belgian Treasury certificate rates rose yesterday for the second time within recent weeks. One-month certificates rose to 9.50 per cent from 9.25 per cent; two-month to 9.50 per cent from 9 per cent; and three-month to 9.25 per cent from 8.75 per cent.

On November 30 the one-month rate was lifted by ¼ per cent to 9.25 per cent, but before this rates had been steadily reduced, from a high point of 10¼ per cent for one and two month paper, and 10 per cent for three-month.

Belgian interest rates tended to ease as the pressure came off the Belgian franc following the revaluation of the D-mark against other European snake currencies on October 15. The pressure has increased again this week on suggestions that the D-mark may rise once more before the introduction of the European Monetary System.

FRANKFURT — Interbank interest rates were firmer. Call money was quoted at 3.50-3.60 per cent, compared with 3.50-3.55 per cent previously. One-month rose to 4.10-4.20 per cent from 3.90-4.10 per cent; three-month to 4.00-4.20 per cent from 3.80-4.00 per cent; six-month to 4.05-4.15 per cent from 3.95-4.05 per cent; while 12-month was unchanged at 4.20-4.30 per cent.

NEW YORK—Federal funds were steady at around 9⅞ per cent, with quotations of 9⅞-9¹⁵⁄₁₆ per cent in early trading. Shortly before lunch rates eased to 9⅞-9¹⁵⁄₁₆ per cent. Treasury bill rates also eased during the morning. Thirteen-week bills fell to 8.91 per cent from 8.96 per cent; 26-week bills to 9.25 per cent from 9.26 per cent; and 12-month bills to 9.31 per cent from 9.33 per cent. Certificate of deposit rates also declined.

AMSTERDAM—Call money was steady at 9⅞-10 per cent but fixed period interest rates were easier, with one-month falling to 10-10¼ per cent from 10¼-10⅝ per cent; three-month to 10-10¼ per cent from 10½-10¾ per cent; and six-month to 9¾-9⅞ per cent from 9⅞-10 per cent.

MILAN—Money market rates were unchanged, with call money at 10½-10¾ per cent; one-month at 10¾-11 per cent; two-month at 11-11¼ per cent; and three-month at 11¼-11½ per cent.

HONG KONG—Money market conditions were easy, with call money at 10¼ per cent and overnight at 9 per cent.

GOLD

Little change

Gold lost $1¼ an ounce in the London bullion market yesterday to $196-196½. After opening at $195½-196½, the metal was fixed during the morning at $195.50 and $196.25 in the afternoon. Trading was described as being extremely quiet ahead of the IMF gold auction.

In Paris the 12½ kilo bar was fixed at FFr 28,100 per kilo ($198.31 per ounce) compared with FFr 28,050 ($198.00) in the morning and FFr 28,250 ($198.63) on Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 12,075 per kilo ($195.50 per ounce) against DM 12,200 ($197.21) previously.

	Dec. 6	Dec. 5
Gold Bullion (a fine ounce)		
Close	$196-196½	$197½-198
Opening	$195½-196½	$196½-197½
Morning fixing	$195.50 (£100.285)	$196.55 (£101.269)
Afternoon fixing	$196.25 (£100.486)	$196.40 (£100.820)
Gold Coins, domestically		
Krugerrand	$209½-211½ ((£107¼-108¼))	$209½-211½ (£107¼-108¼)
New Sovereigns	$60-62 (£30½-31½)	$60-61 (£30½-31¼)
Old Sovereigns	$58½-60½ (£30-31)	$60-62 (£30½-31½)
Gold Coins, internationally		
Krugerrand	$201½-207½ (£103-106)	$202½-204½ (£103½-104½)
New Sovereigns	$52½-54½ (£27-28)	$52½-54½ (£27-28)
Old Sovereigns	$58½-60½ (£30-31)	$60-62 (£30½-31½)
$20 Eagles	$282-285	$280-285
$10 Eagles	$154-159	$154-159
$5 Eagles	$101-106	$100-105

UK MONEY MARKET

Small assistance

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave a small amount of assistance by buying Treasury bills from the discount houses.

Banks brought forward small surplus balances, and the market was also helped by a small excess of Government disbursements over revenue payments to the Exchequer. These factors were slightly outweighed by a moderate net take-up of Treasury bills to finance.

Discount houses paid 11½-11¾ per cent for secured call loans in the early part, and closing balances were taken at 11⅞-12 per cent. In the interbank market overnight loans opened at 12-12¼ per cent, and eased to 11⅞-12 per cent by mid morning. Rates touched 12-12½ per cent later in the day, and closed at 11½-11⅞ per cent.

Short-term fixed-period interest rates showed little change in very quiet trading.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Dec. 6 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	11½-12½	—	—	—	12¼	11½-12	—	—	—
2 days notice	—	—	11⅞-12⅛	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	12⅛	—	—	—	—
7 days notice	—	12-12¼	12-12¼	—	12⅛	—	11⅞-12	—	—	—
One month	12⅜-12⅛	12⅛-12¼	12-12⅛	12⅛-12⅜	12½	12⅜	12	11⅝-11½	12⅛-12⅛	12½
Two months	12⅝-12⅛	12⅛-12⅛	—	12-12⅛	12¾	12½-12⅝	11⅞	11½-11⅝	12⅛	12¾
Three months	12⅛-13⅛	12⅛-12⅜	12⅛-12¼	11⅞-12¼	12⅜	—	11¾	11⅛	11⅞-12	12½
Six months	11⅞-11⅞	11⅞-12⅛	11¾-12⅛	11⅞-12	12¼	—	—	—	11⅝-11⅞	13
Nine months	11⅞-11⅞	11¾-11⅞	—	11⅞-12	12¼	—	—	—	—	—
One year	11⅞-11⅞	11¾-11⅞	11⅛-11⅝	11⅞-12	12¼	—	—	—	—	—
Two years	—	—	12-12¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12¾-12⁵⁄₁₆ per cent; four years 12¾-12⅞ per cent; five years 12¾-12⅞ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11⅞-11⅞ per cent; four-month trade bills 12⅜ per cent.

Approximate selling rates for one-month Treasury bills 11¹¹⁄₁₆-11⅞ per cent; and two-month 11⅝-11⅞ per cent; three-month 11⅞ per cent. Approximate selling rate for one-month bank bills 11¹⁵⁄₁₆-12 per cent; two-month 11¹³⁄₁₆-12 per cent; and three-month 11⅞-11⅞ per cent; one-month trade bills 12 per cent; two months 12¼ per cent; and also three-month 12⅜ per cent.

Finance House Base Rates (published by the Finance Houses Association) 11½ per cent from December 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Base Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.3880 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5
Fed Funds	9.75
Treasury Bills (13-week)	8.91
Treasury Bills (26-week)	9.25

GERMANY

Discount Rate	3
Overnight	3.55
One month	4.15
Three months	4.05
Six months	4.10

FRANCE

Discount Rate	9.5
Overnight	6.75
One month	6.8125
Three months	6.9125
Six months	7.0625

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.625
Bills Discount Rate	4.625

Putting the fizz back into Bulmers Cider . . . and apple juice

BY BARRY RILEY

IT HAS been a bumper season in the cider apple orchards of the West Country. The glut of fruit is such that the Hereford-based cider makers H. P. Bulmer, boasting a 60 per cent share of the UK market, will be processing apples right up to Christmas. Then, in an unprecedented move, the company will be opening its apple presses again for a few weeks in January.

After the miserable 1977 crop, when Bulmer processed only 10,000 tonnes of apples, the company's total throughout this time could be nearly 60,000 tonnes. Yet there will be no price benefit on raw apples because as part of its policy of sustaining the long term confidence of local farmers, Bulmer is paying a slightly higher price per tonne than last year.

Where Bulmer will gain, however, is on its purchases of apple juice concentrate. Much of this comes from France, and prices shot up in 1977 because of the poor crop. This year, though, the price of concentrate is down by about a third, and Bulmer is buying the concentrated equivalent of 48,000 tonnes of apples.

Combined with the local crop these purchases will fill Bulmer's entire storage capacity, at an average raw material cost similar to that of 1977-78. Mr. Richard Hollis, the finance director, is happy at the opportunity to make such an investment in stocks, even though it will tie up £2m more in working capital than originally budgeted for 1978-79. "Unfortunately," he says ruefully, "the Price Commission also knows all about this year's apple crop."

The Price Commission is not Bulmer's favourite governmental agency at present. Early this year the company proposed price increases which averaged 12 per cent, or 3p a pint, to become effective in March. "We carefully limited the increases to the level which we judged would not harm our market," according to Mr. Brian Nelson, the group managing director.

But the Price Commission stepped in. It was agreed that Bulmer would restrict its initial price rise to 6 per cent in May. There would follow another 4 per cent in October.

So although Bulmer has eventually achieved five-sixths of its originally planned price rise, it has lost much of the benefit during the peak summer season. The company estimates that the intervention by the Price Commission has cost it £1.5m in profits it would otherwise have earned, during the current year, which runs to the end of next April. Thanks to its co-operation Bulmer has not, however, been made the subject of a full-scale investigation by the Commission.

Nasty setback

In spite of this price obstacle, Bulmer is now able to face the future with confidence after last year's nasty setback which sent pre-tax profits, before exceptional items, down from £4.08m to just £2.15m.

It has the assurance of raw material supplies at a stable cost for the next two years. Its planned high stocks will be enough to carry it through until 1981, allowing for the expectation of a relatively poor apple crop next year (because the trees will be suffering the after effects of bearing the huge 1978 harvest).

Moreover, the domestic cider market has stabilised after the hammer blows of the past 18 months. Bulmer had been lulled into a sense of false euphoria in 1976, when the long hot summer pushed up volume in the May-September period by an amazing 28 per cent. But in late 1976 and early 1977 big excise duties were imposed, and the weather was much less favourable, so that for 1977-78 as a whole sales volume declined by 7 per cent.

In the past summer the weather was again unfavourable, especially because of low temperatures in July and August. In the circumstances Bulmer has decided to cut its losses on its experimental chain of cider houses, trimming the number to a hard core of six profitable units.

But overall volume has been steady since June, and there are hopes that with the public having become accustomed to the major price advances of the past two years the longer term growth trend may become re-established.

Bulmer has been building up its retail outlets for Draught Strongbow, a brand whose sales continued to grow last year despite the general weakness of the cider market. Moreover the company is nibbling at the lower end of the wine market. It has relaunched Dry Reserve—which went into national distribution two years ago—as Special Reserve, in medium-sweet and dry variations. The bottle has been designed to resemble a one-litre wine bottle, to encourage wine drinkers to switch to cider at a retail price of 75p.

The group has also attached considerable importance to the development of growth opportunities overseas, but here the picture remains rather mixed. On the credit side, the Australian operation, for seven years lossmaking, was last year turned round into profits following the secondment of managers from the UK. This now looks a viable, if small, business which earned a trading profit of £79,000 in 1977-78.

There remain question marks, however, over the more ambitious U.S. venture which checked in last year with an initial loss of £116,000, slightly more than expected.

Though still hopeful of eventual success, Bulmer accepts that it will be some time before this project becomes profitable. Meanwhile it is continuing to experiment in selected U.S. test markets, and is currently exploring the potential of larger bottle sizes.

Middle East

Elsewhere Bulmer has minor export markets in South Africa, West Africa, Germany and the Middle East, the latter favouring a non-alcoholic sparkling apple juice presented in a champagne-type bottle.

On the stock market, the company has only gone part of the way towards restoring the status lost after the 1977 setback. In the summer of last year Bulmer announced a far-reaching reorganisation package involving the establishment of a new holding company, and the setting up of an employees' profit-sharing plan, while the dividend was more than doubled. The shares reached a peak of over 170p in July 1977 which has never since been approached. The price has recently been around 140p.

Bulmer's executives seem happy, however, at the manner in which the company has stood up to the problems of the past couple of years. The chairman, Mr. Peter Prior, is a great advocate of the role of leadership in industrial management and has had to test his theories in harsh conditions (the group was forced to declare a number of redundancies last year) as well as the favourable growth environment of earlier years.

Some £3m of planned capital spending was hastily deferred when the scale of the decline in cider sales became apparent. Even so, net borrowings rose *from £2.9m to £4.9m during* 1977-78. But the gearing remains modest. Mr. Hollis estimates that after the impending additions to apple juice stocks, debt will rise to £7m or £8m, but shareholders' funds are around £22m. "It is exactly the right kind of liquid investment for us," he jokes.

Much of Mr. Hollis' time has been taken up recently with amendments to the profit sharing scheme made necessary by the legislation incorporated in the last Finance Act. Changes to the qualification rules, for instance, have been necessary so that employees will get tax relief on their share purchases. But the company has gone ahead with the first phase of the scheme, and 69,500 shares were recently bought by the trustees through brokers Cazenove.

Meanwhile the company's executives and administrative staff have within the past few weeks moved into a new head office building. It is a development which, Bulmer's executives point out with good humour, heralds the rapid decline of a company according to stock market folklore. But they see things quite differently.

Brian Nelson, for instance, argues that the group has coped with an unbroken series of handicaps: bad weather, the duty increases, poor crops and the Price Commission. Now, with the lorries still queueing up to deliver the fruits of a marvellous apple harvest, there is reason to believe that the pendulum has started to swing in a more favourable direction.

COMPANY NOTICE

NOTICE TO THE HOLDERS of 8¾ per cent. Guaranteed Convertible Debentures, 1978 of MASTERTAPE (MAGNETIC) LIMITED (in liquidation)

Notice is hereby given by Bank of Scotland as Trustee under the Trust Deed dated 28th June 1968 between Mastertape (Magnetic) Limited, Brayhead Limited as Guarantor and the Governor and Company of the Bank of Scotland that in pursuance of Clause 8 of the Trust Deed a part repayment of the principal amount secured by the above debentures of $US103 per debenture of $US500 nominal amount, will be made against production of debentures for enfacement of payment at the offices of Kredietbank S.A. Luxembourgeoise, Head Office Luxembourg, 43 Boulevard Royal on or after 11th December 1978. Payment will be made by dollar cheque drawn on a New York bank in accordance with the terms of the debentures and no elections for payment in other currencies can be accepted.

BANK OF SCOTLAND

[illegible] 1978

NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR's) IN KOMATSU LTD., TOKYO

We are pleased to confirm that copies of the Semi-Annual Report for the six-month period ended June 30, 1978 of Komatsu Ltd., Tokyo and Consolidated Subsidiaries are now available to EDR Holders upon application to the following conversion Agents:

Citibank Branches in Amsterdam, Frankfurt, Paris and Milan and at:

Citibank (Belgium) S.A., Brussels.

Citibank (Luxembourg) S.A., Luxembourg.

Kredietbank S.A. Luxembourgeoise, Luxembourg.

Citibank N.A.
335 Strand
London WC2R 1HB.
Depositary
December 1978.

LEGAL NOTICES

IN THE MATTER OF COURT LEATHER MANUFACTURING CO. LTD.

LEEDS COUNTY COURT No. 15 of 1978
BY ORDER OF THE LEEDS COUNTY COURT DATED THE 1st NOVEMBER 1978
MR. GEORGE ERIC RUSHTON of 36-40 North Parade, Bradford, Chartered Accountant has been appointed LIQUIDATOR of the above-named Company.
Dated this 23th day of November 1978.
G. E. RUSHTON Liquidator

PUBLIC NOTICES

SOLIHULL METROPOLITAN BOROUGH

£3,000,000 Bills due on 7.3.79 were offered on 6.12.78 and were allotted at a rate of 11 39/64 per cent. Applications totalled £30,050,000. These are the only Bills outstanding.

EXETER CITY COUNCIL BILLS

£400,000 bills issued 5th December, 1978 due 7th March 1979 at 11 39/64 per cent. Applications totalled £1,600,000. £400,000 bills are outstanding.

MEMORIAL SERVICE

BEVAN—John Henry. A service of thanksgiving for Johnny will be held at 12.30 p.m. on Thursday 14th December, at St. Michael's Church, Chester Square, London, S.W.1.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

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NORTH AMERICAN NEWS

International Harvester's earnings hopes fade

BY JOHN WYLES NEW YORK, Dec. 6.

DESPITE STRIKES which have eaten into its earnings this year, International Harvester plans still more cost-cutting measures, Mr. Archie McCardell, the company's president and chief executive, said today.

Mr. McCardell, who was lured from Xerox 15 months ago, has pushed through a major effort this year to boost the profitability of the leading U.S. farm, construction and truck equipment manufacturer. The company claims to have cut more than $100m of costs in its fiscal year ending October 31 but Mr. McCardell conceded today that earnings for the year will not prove to be as high as he had hoped a few months ago.

He had thought then that net income would equal or modestly exceed 1977's $203.7m or $6.92 per share on sales of $5.96bn.

Strikes against changes in working practices demanded by the company have cost about 25 cents a share and a change to the last-in-first-out accounting methods have shaved about 40 cents a share off 1978 earnings. In addition currency translation losses have amounted to about $1 a share compared with 40 cents in 1977, said Mr. McCardell.

As a result of the new president's efforts, International Harvester's workforce has been trimmed by 2,500, purchasing costs reduced by $20m and production lines revamped. His basic aim has been to widen profit margins which have been hovering between 3 and 3.5 per cent.

Mr. McCardell was at pains today to quash speculation that the company may be ready to sell its construction equipment and turbo-machinery divisions so as to raise cash for its truck and farm equipment lines.

There was "no intention whatsoever" of making such a move, Mr. McCardell said. He added that the company would not need any outside financing in fiscal 1979.

Itel and IBM start prices battle

BY STEWART FLEMING NEW YORK, Dec. 6.

ITEL, ONE of International Business Machines' main competitors in the computer business, disclosed today that it is matching its giant rival's recent price cuts on memory units for large computers.

Earlier this week, IBM, the world's leading computer manufacturer, said that it was cutting its charges for each additional increment of 1m characters of storage, or one megabyte, to about $75,000, from $110,000.

IBM also disclosed that it expects to start shipping models of its 3033 Processor, with 12 and 16m characters of storage capacity in the third quarter of 1979.

IBM said it had achieved the increased capacity by including a new memory chip known as the 4K chip in the equipment which will store as much as 4,000 items.

Itel said today that it is matching IBM's recently announced cuts in the price of memory units for IBM's large computers. Itel said it is lowering the price of memory units for its AS-6 model one and model two computers by 30 per cent to about the $75,000 that IBM is charging per megabyte.

Underlining what some analysts have said about the IBM moves, namely that the big computer company is battling to catch up with its competitors in some areas, Itel said it was already offering models with a 16 megabyte memory but IBM will not be shipping computers with that large a memory until next year.

Turnround at Tesoro

By Our Financial Staff

TESORO PETROLEUM has recorded a net profit of $2.5m for the fourth quarter of 1978, completing a dramatic recovery from a near disastrous financial performance in 1977, which was capped by a $28.5m loss in the final quarter of the year.

The refining company, which once held 37 per cent interest in the financially-troubled Continental Oil Refining Company of Puerto Rico, earned $329.4m or 19 cents a share in the final quarter compared with $302.8m or a loss of $2.32 in the same period last year. Corco has since sought protection from its creditors under U.S. bankruptcy legislatoin.

For the year, Tesoro had a net profit of $21.8m or $1.75 a share, compared with a loss in 1977 of $87.7m or $5.52 a share.

Brown-Forman Distillers increases whisky sales

BY OUR FINANCIAL STAFF

FEARS OF disruption of supplies following the expiry of a labour contract led to a significant boost in sales for Brown-Forman Distillers in the second quarter to October 31. Sales improved to $171m fro ma corresponding $111m, whereas net earnings rose to $12.9m from $8.2m for the same period in 1977. Per share earnings increased to $1.01 from a corresponding 64 cents.

The company's labour contract at its Louisville production facilities was due to expire on November 30 but a new three-year contract was ratified on December 2.

The company said the new contract's provisions for wage and benefits increase fall within recently announced federal guidelines.

First-half sales were $284m compared with $214m a year ago, and all of Brown-Forman's major brands continued growth patterns based on case sales from the wholesale to the retail trade.

Volume sales for Jack Daniel Tennessee whiskey was considerably ahead of the corresponding 1977 period, when there was less matured stock available.

Television advertising boosted volume expansion of Bolla and Cella Italian wines and further growth was again shown by Korbel California champagne and brandy.

The company's Old Forester and Early Times Kentucky bourbons product lines had good gains in the period

Quebec to stall bid for Credit Foncier

By Robert Gibbens

MONTREAL, Dec. 6

THE QUEBEC government is planning moves to prevent Central and Eastern Trust Company from buying 55 per cent of the stock of Credit Foncier Franco-Canadien, the Montreal-based mortgage and financial services company, for C$ 65m.

The government said in Quebec City that legislation is to be introduced within a few days providing for examination of deals of this type "to determine if they are in the interests of Quebec."

Credit Foncier, which operates a national mortgage and financial services business and also holds major real estate interests across Canada, has a Quebec charter. The legislation planned by the Quebec government, it is assumed, would be a form of an investment review process on the lines of the federal government Foreign Investment Review Agency. The Pari Quebecois government's legislation would apply retroactively to cover the bid for Credit Foncier.

On Tuesday, Central and Eastern Trust, controlled by a Moncton, New Brunswick, lawyer, and a Montreal financier, said it would offer C$138 a share for 55 per cent of Credit Foncier's outstanding stock. It said that Credit Foncier shares held by the French banking group Paribas had already been promised and these shares amounted to about 20 per cent of Credit Foncier outstanding shares.

Both Credit Foncier and Central and Eastern Trust, an eastern Canadian trust company and real estate operator, have total assets of about C$1.2bn each.

Resorts' new hearing date

By David Lascelles

NEW YORK, Dec. 6.

NEW JERSEY'S Casino Control Commission has brought forward by one week, to January 8, its scheduled hearings on Resorts International's application for a permanent licence to run its new Atlantic City casino. This follows the wide publicity given to a formal objection to the application by the State's Attorney General on the grounds of Resorts' alleged connections with organised crime and about questionable financial dealings.

Resorts reacted to the report yesterday with a strong denial of wrongdoing, and said it wanted a chance to rebut the charges as soon as possible.

Resorts' shares suspended on news of the report, resumed trading yesterday, and were quoted today at around $28 per Class A and $46 for Class B, down $4 and respectively $6 from pre-suspension.

Pfizer expects more growth

By John Wicks

ZURICH, Dec. 6.

PFIZER, the U.S. chemicals and pharmaceuticals manufacturer, aims to "maintain its past record of consistent growth," the company chairman, Mr. Edmund T. Pratt Jr. said in Zurich on the introduction of Pfizer stock to the bourses of Zurich, Basle, Geneva and Lausanne. After a 17 per cent increase in group turnover to $1.72bn for the first nine months of 1978, Pfizer expects further satisfactory growth for the fourth quarter.

Mr. Pratt stressed the importance to future expansion of research and development, expenditure on which would rise from over $110m this year to some $125m in 1979. Although Pfizer's major capital investment programme, in which nearly 70 per cent of cash flow from operations was spent over a five-year period, was completed in 1975, the next few years will see expenditure on fixed assets of some 35 to 40 per cent of operational cash flow.

Extension for Carrier

A Federal judge in Syracuse, New York, has extended until December 14 the date by which Carrier Corporation and the U.S. Department of Justice may bring an appeal against his ruling that United Technologies may proceed with its $1bn takeover bid for Carrier, writes our financial staff. Carrier, the nation's largest producer of air conditioning and heating equipment, claimed that the opinion issued today by the judge makes it clear that there are sufficient grounds for a trial of the case on its merits. The company continues to believe that the merger would violate anti-trust laws.

Tiffany earnings up

Tiffanys, the exclusive Manhattan jewellers which is having talks on a $104m merger with Avon Products, the door-to-door sales cosmetics company, had net earnings of $1.34m or 58 cents a share against $925,935 or 40 cents a share, agencies report from New York. For the first nine months net earnings reached $3.23m or $1.4 a share against $1.74 or 76 cents a share. Sales so far totalled $44.4m compared to $35.84m.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on December 6

Convertible bonds (last rows)	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Marudai Food 3½ DM ...	2/79	1033	99½	100½	−1½	10.40
Murata Man. 3½ 88 DM ...	11/78	854	93½	94½	−0½	2.11
Nippon Air 3.5 88 DM ...	12/78	508	92½	93½	+0½	3.98
Nippon Shinpan 3½ DM ...	8/78	738	115½	116½	−0½	0.69
Nippon Yusen 3½ 93 DM ...	1/79	251	95½	96½	+0½	0.53
Nissan Diesel 3½ 98 DM ...	2/79	477	96½	97½	−0½	11.36
Olympus Optical 3½ 85 DM	2/79	783	98½	99½	+0½	3.86
Ricoh 3½ 93 DM ...	10/78	617	103½	104½	+0½	14.64
Sankyo Electric 3½ DM ...	8/78	869	115½	116½	0	10.63
Sanyo Electric 3½ DM ...	11/78	295	92½	93½	−0½	9.35
Seiyu Stores 3½ 86 DM ...	9/78	1275	112½	113½	−0½	−2.13
Stanley Electric 3½ DM ...	11/78	623	96½	97½	−0½	7.69
Trio-Kenwood 3½ 86 DM ...	11/78	711	92½	93½	−0½	9.94

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

GULF OIL

Shunning past errors

BY DAVID LASCELLES RECENTLY IN PITTSBURGH

GULF OIL, the smallest of the seven sisters, is a company dogged by past mistakes: an ill-negotiated contract which obliges it to sell 40 per cent of its natural gas at a fraction of market price, a disastrous attempt to enter the uranium marketing business, and a heavy commitment to unprofitable olefins production. These mistakes will haunt the company for several years to come.

On the brighter side, Gulf seems to be pulling away from the scandals that rocked it earlier in the decade and led to a management purge in 1975. The company also hopes by next year to be reaping the benefits of a sweeping cost-cutting programme and an investment budget better tailored to its resources.

As Mr. Harold Hammer, executive vice-president, told a recent analysts' meeting in Pittsburgh, Gulf's home town, "We do believe that this is a period for austerity . . . but everything we see indicates that the gradual increase in profits that we have been experiencing will continue through 1979."

Some of Gulf's mistakes go back over 10 years. For instance, in 1964, Gulf agreed to supply Texas Eastern, a gas production and transmission company, with 4.4 trillion cubic feet of natural gas at the rate of 300m cubic feet a day. Fourteen years later, Gulf is still only two thirds of the way through that contract, but the price it gets for its gas is a mere 21 cents a thousand cubic feet, less than one seventh of the going rate. Gulf is trying to speed up the contract by pushing deliveries to 500m cubic feet a day. Even so, the last gas will not go through until the mid-1980s, putting a long-term drag on earnings.

Like other oil companies, Gulf invested heavily in petrochemicals in the 1960s only to see the market weaken steadily in the 1970s. Fully 75 per cent of its operating assets in chemicals are in basic and intermediate petrochemicals and polyolefins, which Gulf expects will remain highly competitive and unprofitable, possibly to 1980 and beyond.

Gulf's third ill-judged move was its purchase in 1967 of a nuclear engineering company, General Atomic (into which Royal Dutch/Shell later entered on a 50-50 basis). General Atomic not only saddled Gulf with heavy losses due to the complexities of the nuclear business, it also plunged the company into its now widely-publicised uranium litigation.

Along with sales of nuclear equipment, General Atomic made commitments to supply its customers with uranium at approximately $14 per pound, having uranium producers to obtain uranium at $13 per pound. Then the uranium cartel row burst upon the world, uranium prices shot up to over $40 per pound, and General Atomic found itself caught between suppliers, who refused to fulfil their contracts, and utilities clamouring for their uranium.

The resulting litigation is still far from over, and although Gulf's chairman, Mr. Jerry Mcafee, told analysts that he was encouraged by the way it had moved this year ("I think the wind is blowing in our direction,") the wrangle is likely to penalise earnings for another two years at least.

The combined toll on earnings from Gulf's past mistakes is virtually impossible to calculate, but senior executives hope that the cost-cutting exercise launched earlier this year will bolster the trend into the black.

Tackling the problem at a more fundamental level, Gulf is also trying to sell off unprofitable assets and invest the proceeds in more fruitful fields. Over the past year, for instance, it has pulled out of marketing oil products in Norway and has bought 216 new outlets in Switzerland.

In the hard-pressed chemicals division, the accent is on diversification away from olefins, mainly into specialty chemicals. The acquisition of Kewanee Industries for $455m last year was a big step in this direction.

The reins are also being tightened on capital spending, though Gulf denies that this amounts to a retrenchment, as many analysts have claimed. The record $3bn spent in 1977 was exceptional, Mr. Hammer argues, because it included unusually high investment in exploration and development and the purchase of Kewanee. This year, outlays should end up closer to $2.3bn.

Next year, investment is expected to be around $2.3bn once again, though if any attractive leases are auctioned, payments will be extra.

The aim, according to Mr. Hammer, is to finance capital spending from cash flow: partly so that Gulf can enter 1980 without a further cash drawdown, and partly to keep the company out of the capital market at a time of record high interest rates. This could help earnings in the long run, Mr. Hammer believes.

At the same time, Gulf is trying to ginger up its near-term prospects by balancing out its long-term investments with a few that bring quick results. One way would be to buy another new company like Kewanee, an alternative "which is being continuously reviewed."

But while analysts have praised Gulf's efforts to put its finances in order, they find it hard to ignore the dark cloud of litigation that hangs over the company. And they argue that until the court cases are resolved, or Gulf makes a realistic provision for an unfavourable outcome, its prospects should be viewed with caution.

GULF RESULTS

$m	1977	1978 (quarters) I	II	III
Revenue	19,829	4,884	4,716	5,048
Net income	732	155	175	208
Net income/share ($)	3.86	0.79	0.90	1.07
Capital expenditure	3,013	496	565	512

RESULTS IN BRIEF

Yen losses upset Oscar Mayer

NEW YORK, Dec. 5.

MEAT PRODUCTS manufacturer Oscar Mayer and Company suffered a sharp decline in net income for the year to October 28. On sales ahead from $1.19bn to $1.35bn, net income fell from $35.03m or $2.43 a share to $26.03m or $1.79 a share. The company said that about 75 per cent of $6.8m of the decline was due to an increase from $2.02m to $8.85m in unrealised losses on currency translation involving the yen.

The balance of the drop was attributed by the company to increased costs of raw materials, labour and supplies that could not be fully recovered through price increases. Sales volume in weight was down by 1.4 per cent from the level of 1977, but in dollar terms sales were up by 13 per cent because of higher prices.

The company said that demand for its processed meat products remains strong, and the record corn crop this year is expected to lead to increased supplies of pork and more stable raw material costs in the 1979 fiscal year.

For the fourth quarter, Oscar Mayer reported net income up from $8.87m to $9.04m. Because of an increase in the average number of shares in issue, net earnings remained level at 62 cents a share.

Meanwhile, for the first quarter of the current financial year, United States Shoe Corporation improved per share earnings from 91 cents to $1.20, while for the first half Handleman, the records and tapes distributor, advanced from 81 cents to $1.37.

In the first nine months, clothing patterns manufacturer Simplicity Pattern moved ahead slightly from 74 cents a share to 76 cents, Longs Drug Stores improved from $1.25 to $1.50, and retailer Wickes Corporation advanced from $2.06 to $2.76 a share.

Textiles manufacturer J. P. Stevens and Company rose from $2.87 to $2.98 for the full year, while the gas and chemicals concern Petrolane lifted per share earnings from $3.31 to $3.89.

Two companies with interests in vending machines showed increases for the full year: Macke Company moved from $1.30 to $1.57, while ARA Services rose from $3.87 to $4.63.

Setbacks for the full year were reported by two utilities, General Public Utilities, which slipped from $2.58 to $2.28, and Public Service Company of Indiana, down from $3.34 to $2.80. Agencies.

INTL. FINANCIAL AND COMPANY NEWS

CREDITO COMMERCIALE

Italian banking faces rationalisation

BY RUPERT CORNWELL

ROME, Dec. 6.

NEGOTIATIONS are at an advanced stage for a reported L230bn ($282m) deal whereby the state controlled Monte dei Paschi di Siena Bank will take a majority stake in a major bank which now belongs to the group controlled by the Milan financier Sig. Carlo Pesenti.

Assuming the transaction goes through, it will represent not only a significant restructuring within the Italian banking industry but a much needed financial shot in the arm for the troubled empire of Sig. Pesenti.

The arrangements are due to be finally approved by December 20. They call for Monte dei Paschi and its subsidiary Banca Toscana to take a combined interest of 79 per cent in Credito Commerciale, now controlled by Italmobiliare, itself a part of Sig. Pesentis Italcementi group.

Monte dei Paschi will acquire 51 per cent, and its subsidiary 28 per cent in Credito Commerciale. According to banking sources, the latter has been valued at a total L293bn ($360m) making the deal worth in all L233bn.

It is also reported here that the two Tuscan banks will, as part of the agreement, make available a further lire 200bn of funds for the financier, to provide further scope for a general reorganisation of his interests, in particular those involving his links with another Italcementi group bank, Banca Provinciale Lombarda.

Observers also believe that the deal may lead to a subsequent rationalisation between Credito Commerciale and Credito Lombardo, a considerably smaller credit institution already within the Monte Dei Paschi group.

Acquisition of Credito Commerciale could significantly enhance the standing of the state-controlled Siena institution near the top of Italy's banking league.

According to statistics for 1977, prepared by the business weekly Il Mondo, Monte dei Paschi is, as well as being the oldest, the eighth largest bank in the country with total deposits at the end of last year of L7,826bn and profits of L7.6bn.

To these resources would be added the L1,513bn of deposits held by Credito Commerciale, which last year ranked 30th among Italian banks, according to Il Mondo.

Slower growth at Heineken

BY CHARLES BATCHELOR

AMSTERDAM, Dec. 6.

HEINEKEN, the Dutch-based international brewery, wine and spirits group, today revealed higher profits and sales in 1977-78, although growth was less than in the preceding financial year. Holland's largest brewer also announced a plan to align its business year with calendar year. It will ask its shareholders to approve an amendment to its statutes and proposes that the 1978-79 fiscal year will cover 15 months.

It plans to pay an unchanged cash dividend of Fl 3.50 per Fl 25 nominal share on capital which has been increased 25 per cent by the scrip issue of February last. Net profits rose by 8.3 per cent to Fl 118.7m ($57m) from Fl 109.6m in the year ended September 30.

Turnover rose by 8.2 per cent to Fl 2.67bn ($1.28bn) from Fl 2.47bn. In 1976-77, net profit rose by 18.8 per cent, while sales were 15.6 per cent higher. Net profit per share was Fl 10.27 compared with Fl 9.48.

Despite the slowdown in growth compared with the previous year, profit performance has improved since the first half. In May, the company announced that profits were only 2 per cent higher at the net level. Sales growth has slackened off through the year, though. At the half-way stage sales were 13 per cent up on the corresponding 1976-77 period.

The Dutch drinks market is at present distinguished by fierce price competition, strict price controls and rising costs. Expansion of Heineken's modern brewery at Zoeterwoude near The Hague is, however, expected to lead to a relative decline in production, Pierson, Heldring en Pierson said in a recent review of the company.

Heineken's annual report will be published on December 20. The annual meeting will be held on January 9.

● THE European Options Exchange will not delist its three inactive U.K. options classes and will decide in February at the latest on new series with later expiry dates, said EOE general director Tjerk Westerterp, reports Reuter in Amsterdam.

New series for BP, GEC and ICI could be "introduced at short notice if there were demand from the market."

Zinc price setback for Preussag

By Adrian Dicks

BONN, Dec. 6.

THE FALL of the U.S. dollar and a continued low level of prices for zinc took a heavy toll on Preussag, the West German base metals, energy and engineering group, during the first nine months of 1978, the company told shareholders today.

As a result, Preussag suffered overall loses in the period that were not entirely offset by better performances from several non-metal areas of activity. The board stops short of predicting a loss for 1978 as a whole, but leaves shareholders with little reason to hope for profits.

The metals division, still by far Preussag's biggest single area of interest, suffered an 18.1 per cent drop in turnover for the first nine months compared to 1977, to a new level of DM 623.5m ($337.9m). Nonetheless, there was a slight improvement in London zinc prices during the third quarter, making possible a 4.2 per cent improvement in the Deutsche-Mark equivalent of the European producer price from the second quarter level.

Lead, Preussag's second major metal product, showed a stronger 9.6 per cent gain in the third quarter, while copper and silver prices also strengthened.

However, short-time working at the group's lead and zinc mines in West Germany led to a 48.8 per cent drop in ore output, while the forced shutdown in September of the Nordenham lead smelter because of a shortage of concentrates led to a 9.7 per cent third quarter fall in production.

The company reports much improved results from its specialised rail tank-wagon and barge business, designed for oil, gas and chemicals transportation, as well as a 26.7 per cent increase in natural gas sales in the first nine months.

There was a 12 per cent rise in the turnover of the Preussag group's coal interests, thanks to a substantial increase in production from its Ibbenbueren pit at the end of a lengthy programme of investment to overcome technical problems.

At the same time, the group reports a drop in the high level of stocks held at the pithead, thanks to higher coal sales.

The building and construction division also experienced an increase in sales in the first nine months, although new orders both from home and overseas cutomers were somewhat uneven. Preussag announced that it is hoping for further large contracts from abroad for pipeline and water supply engineering, similar to the major projects under construction in Saudi Arabia.

Roussel-Uclaf profits show sharp rise

By Our Financial Staff

CONSOLIDATED PROFITS of FFr 74.1m ($16.8m) on a 14.3 per cent rise in sales are reported for the first nine months of 1978 by Roussel-Uclaf, one of France's leading pharmaceutical and fine chemical manufacturers.

The profits for the period include a capital gain of FFr 12.9m and compare with the FFr 78.3m achieved for the whole of 1977. Sales for the nine months were FFr 2.618bn. The company is controlled by the Hoechst chemical group of West Germany.

Around 61 per cent of group sales are made outside France. But the company hopes to increase this ratio to around two-thirds by the end of the decade. Diversification into animal and plant as well as semi-pharmaceutical products is one key to the improving foreign sales structure.

DFDS shipping group expects earnings dip

BY HILARY BARNES

COPENHAGEN, Dec. 6.

DFDS, the Danish shipping company expects reduced earnings in 1978 and says that prospects for 1979 and the following year are not promising.

A company statement said that results for the second half of this year will be adversely affected by falling freight rates, exchange rate instability and labour market disturbances. In 1979 and the following years these trends are expected to continue. In addition, the company is finding it more difficult then expected to sell obsolete tonnage.

The steady renewal of the fleet is essential if earnings and jobs are to be maintained, said the company. Planned replacement of passenger ferries on the Esbjerg-Harwich and the Copenhagen-Oslo routes will cost DKr 1.5bn ($277m). "If we are to renew our old fleet, it is extremely important that we maintain and, preferably, increase earnings in the coming years. The way things look for 1979 and coming years, there is a real need for everyone to do their best," said the company.

In 1977 the DFDS increased net earnings by DKr 51m to a record DKr 120m on sales of DKr 831m. The result crowned several years of effort to re-establish a satisfactory level of earnings.

● The ceiling on loan commitments for banks and savings banks was raised by 3 per cent today to a total of DKr 114bn with effect from the end of November, the central bank announced today. The ceiling restriction has been in force since 1970. The ceiling was raised by 3 per cent in February this year and 4 per cent in June.

Ruetgerswerke maintains sales level

By Our Financial Staff

SALES AND earnings for the first ten months of this year were being broadly maintained, it was announced yesterday by Ruetgerswerke AG, the West German chemicals, plastics and building materials producer.

At the sales level the company's performance since June represents a modest recovery since turnover for the opening six months of 1978 was trailing by approximately 2 per cent. However, the directors make it clear that the outlook for 1979 remains mixed.

Earnings were able to reach levels of a year ago in the first ten months of 1978, because measures such as the introduction of new products and activities combined with lower costs for some raw materials to offset the effects of sluggish sales and increased expenditures.

EUROBONDS

Firm DM sector emerges

BY FRANCIS GHILES

PRICES FIRMED in both the dollar and the Deutsche Mark sectors of the Eurobond markets yesterday.

In the dollar sector, prices stayed steady, edging up by about a quarter to half a point on the day. The market's attention was focused on the allocations being sent out tonight by Hambros for the Norsk Hydro ... the issue was being quoted at a discount of 1½ points in pre-market trading yesterday, a most creditable performance considering that the selling group discount is 1½ points.

The $10m issue for Bank Mizrahi has been priced at par with conditions otherwise unchanged.

The indicated terms of the DM200m issue for New Zealand, announced yesterday by Commerzbank, were very much in line with what the market expected: an eight-year maturity, a coupon of 6¼ per cent, and pricing indicated at par. The DM40m convertible for Tokyo Electric was priced at par with conditions otherwise unchanged.

Deutsche-Mark denominated bonds traded one quarter to half a point firmer in what dealers described as more active conditions than last Monday and Tuesday. One reason given for the improvement in the tone of the market was the announcement of some details about the Deutsche-Mark tranche of the Carter bonds: these were much as expected, but then the market hates nothing more than uncertainty.

In the domestic market, the tone was also firmer, with the Bundesbank selling bonds, albeit in small quantity.

In the Kuwaiti Dinar sector, the KD 10m issue for the City of Oslo was priced at par after the indicated coupon had been cut by ¼ per cent to 7¾ per cent due to very good demand. Other indicated terms were unchanged by the lead manager, KIIC.

INTERNATIONAL CAPITAL MARKETS

Three tranches for $250m Brazilian loan

BY OUR EUROMARKETS STAFF

THE LOAN of $250m to finance the giant Itaipu Binational dam and electric generating project in Brazil is now under syndication. The loan, which carries the guarantee of the Republic of Brazil and which is being co-ordinated by the Compagnie Financière de la Deutsche Bank, comes in three tranches.

On each tranche ¼ per cent of the spread will be paid annually by the contractors which form a group including German, French, and Swiss interests. The grace period is identical on the three tranches: six and a-half years.

German managers, which include Compagnie Financière de la Deutsche Bank, Bayerische Landesbank, Commerzbank, Compagnie Financiere de la Dresdner Bank, DG Bank, and Westdeutsche Landesbank are committed for $170m: French managers, which include Banque Nationale de Paris, Paribas, Banque de l'Union Europeenne, Banque de l'Indochine et de Suez, Credit Lyonnais, and Societe Generale, are committed for $40m: Swiss banks, which include the three leading Swiss banks, SBC, UBS, and Credit Suisse, as well as Volksbank, are committed for $40m.

The first tranche of this credit amounts to $125m for ten years with a spread over the interbank rate of 1 per cent throughout and participation fees of ⅜ per cent for amounts from $1m-$2m, ½ per cent for amounts from $3m-$4m, ⅝ per cent for amounts from $5m-$6m, and ¾ per cent for amounts of $7m and above.

The second tranche amounts to $75m for 12 years with a spread of 1⅛ per cent throughout and participation fees rising, strictly in the same fashion as on the first tranche from ½ per cent to ⅞ per cent, then ⅞ per cent to finish at 1¼ per cent.

The third tranche amounts to $50m for 15 years with a spread of 1¼ per cent and participation fees rising, as in the first two tranches from ⅝ per cent on the smallest amounts to 1 per cent, then 1⅛ per cent, to finish at 1¼ per cent.

These terms mark an improvement for Brazil, but not a fall in the margins of the banks insofar as the contractors are paying the difference. Such practices, which are developing in other countries, arouse mixed feelings among the banks.

In the Middle East market, the El-Shams Pyramids Company of Egypt is raising a $22m seven-year credit to finance the construction of an Holiday Inn near Cairo. Spread is 2¼ per cent, and lead banks are American Express Middle East Development and Citicorp. Saudi investors are providing backing for half of the project.

The 75m Saudi riyal loan for National Chemical Industries of Saudi Arabia, among the first of 3 series of credits in the Saudi currency, is nearing completion.

The five-year facility carries a margin of 1⅛ per cent, with a minimum spread of 7½ per cent. Lead managers Arab and Morgan Grenfell Finance and Wardley Middle East have received formal approval from the Saudi Arabian Monetary Agency to raise to credit.

● Bank of Tokyo and Detroit (International), formerly the London consortium bank, Western American Bank (Europe) announced yesterday that Mr. Ellsworth Donnell has resigned as managing director. The resignation is effective from December 31.

Bank of Tokyo now has management control of the bank, following a reorganisation earlier this year.

Danish government looks abroad

BY OUR OWN CORRESPONDENT

COPENHAGEN, Dec. 6.

THE DANISH government's request to the Folketing for state borrowing abroad in 1979 of up to DKr 7bn ($1.3bn) is the largest authorisation the Government has ever sought. The amount granted after the previous request was DKr 5bn, of which DKr 3.8bn remains available.

However, previous authorisations have only covered a 6-months period while this one will cover a year.

The government also plans to borrow up to DKr 25bn on the domestic market, and total borrowing requirement is expected to amount to DKr 39bn including redemptions by existing debts, according to the autumn budget statement. The net borrowing requirement will be about DKr 21bn.

State foreign borrowing in 1978 will amount to about DKr 8bn, bringing the total government foreign debt to about DKr 27bn.

● The SwFr 200m ($117m) bond proposed by the Swiss Bank Corporation is to be spread over 10 years with a coupon of 3 per cent, writes our financial staff. Price has been fixed at 99¼, and the bonds go on sale from next Wednesday.

The SBC is one of the three major banks in Switzerland and the terms of its funding are fully in line with the market. They compare with recent Canton loans at 3 per cent over 12 years, all of which were priced at par. Thus the Swiss bond market still shows scant sign of an upturn in yields despite the looming U.S. funding package, now earmarked for next month.

Bond dealers in Switzerland received their first taste of 3 per cent offerings back in March when an attempt by the City of Zurich to raise a 12-year loan foundered. Unusually for this strictly disciplined market the bond failed to be placed.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Rembrandt Group set to raise earnings base

BY JIM JONES — JOHANNESBURG, Dec. 6.

FOR THE six months to September 30, the Rembrandt Group (Remgro) has reported a marginal improvement in first-half pre-tax income to R33.8m ($39m) against R33.0m in the corresponding period of 1977. But in South Africa, Remgro is highly liquid and able to boost earnings.

The sale of Rothmans of Pall Mall (Canada) to Rothmans International realised C$96.9m. Realisation of Ligget and Myers added a further U.S.$28.7m and since September 30, a R40m debenture issue has been successfully negotiated.

Enhancing Remgro's position in the South African liquor/beer industries, in October and November Remgro acquired full control of Intercontinental Breweries and the Oude Meester Group, as well as a 49 per cent stake in W. and A. Gilbey (SA) for a total investment of R43.4m ($50.4m).

Intercontinental recently completed an expansion programme which left it with brewing capacity sufficient to satisfy 20 per cent of South Africa's demand. Now Remgro must ensure that this capacity is used effectively, meaning that a large portion of existing cash resources will be used to wrest a bigger market share from near-monopolist South African Breweries.

Preliminary skirmishes in the growing market share war have been marked by increasingly bitter accusations between the two groups, and both are involved in a scramble to acquire additional outlets for their beer and liquor products.

With a developing liquor war, Remgro's earnings from this source could well come under considerable pressure. Relaxation of price control on cigarettes has not boosted earnings significantly, but further acquisition-led growth appears to be increasingly likely.

In addition to its indirect interest in 25 per cent of mining group Federale Mynbou's equity, Remgro has a direct 20 per cent stake in banking group Volkskas. Increasing this to 25 per cent, which would cost less than R4m at the current share price, would allow Remgro to consolidate about R4m in earnings, rather than taking into account present dividend income of R1m.

On first half earnings of 68 cents a share compared to 65.1 cents in the 1977 period, Remgro has declared a 12.5 cents interim dividend, an increase on the previous 11 cents. An increased final of 13 cents against last year's 12.5 cents looks likely for a prospective 6.7 per cent yield at the share's current 380 cents.

Rand gain for Barclays

BY OUR OWN CORRESPONDENT — JOHANNESBURG, Dec. 6.

DESPITE a substantially increased provision for doubtful debts of R4.68m ($5.4m), South Africa's largest banking group, Barclays National Bank, has declared a higher net profit of R36.78m ($42.2m) for the year to September 30 compared with R33.77m last year.

With total assets 10 per cent higher at R5,692m ($661.8m) in the face of credit ceiling controls, Mr. John Barry, chairman, is hopeful that growth will rise during the current year.

Growth was not evenly distributed among the group's various activities. The commercial banking arm maintained a R52m ($60.5m) operating profit out of a group total of R68.3m compared with R55m in 1977. In the face of lower demand for commercial bank credit as the economy continued its recessionary path, the major part of the group's increased lending capabilities was in its general and hire purchase arm, Barclays Western.

On hire purchase business, Western can lend at an effective 21 per cent interest rate against average overdraft rates of about 13.5 per cent. The channelling of lending capacity to Western lifted its taxed profit to R7.2m ($8.4m).

On a smaller scale and with a 24 per cent turnover increase, the merchant banking subsidiary doubled taxed profit to R2.9m. With local interest rates in a down-trend, Barclay's turnover appears set for a major improvement in the current year.

At September 30, its capital surplus in relation to Bank Act requirements stood at R23.6m, meaning that the group has the capacity to accept another R400m in deposits and increase lending by R240m. This compares with September 30 deposits of R3,890m and advances of R2,574m.

Pakistan to alter investments

ISLAMABAD, Dec. 6.

IN THE wake of President General Zia ul Haq's announcement of plans for the "Islamisation" of Pakistan's economy, the state-owned National Investment Trust (NIT) said it will switch its $180m investment in debentures to equity shares within six months.

Under Islamic law, which is the guide to General Zia's new policy, the paying or receiving of interest is forbidden. By buying only equity shares in companies, the National Investment Trust will stop receiving interest and instead will receive a share of profits. In turn, the NIT distributes its profit to its shareholders.

The NIT collects savings from individuals and institutions and reinvests the funds through medium- and long-term credits, and by buying shares to industrial units and financial institutions. It pays an annual dividend of 12.5 U.S. cents on each $1 par-value share. Its shares are traded in the market at $1.13.

For 1978, the NIT estimates it will buy $32.6m in equity shares, with another $17.8m going into debentures.

In fiscal 1978, which ended on June 30, the NIT earned $4.6m, or 59 per cent of its total income, from its dividends on shares. Its yield from debentures was $1.17m, or 15 per cent of the total.

AP-DJ

Accounting panel seeks improved standards

By James Forth — SYDNEY, Dec. 6.

A COMMITTEE set up by the New South Wales State Government has called for clearer laws to govern company accounting. The Accounting Standards Review Committee, which was established in November last year to examine accounting standards in Australia, said that the only way to make accounting standards more generally effective and information to the securities market and the public more reliable was to have standards which could be enforced.

The report, which was tabled today in the NSW Parliament, suggested that standards should be enforced by law, either directly or indirectly. The committee proposed a general accounting standard, as a first step.

The report suggested that Australian accounting standards were vague and ambiguous. They allowed optional valuation rules for many items, and "conjecture, judgement and estimate on a large scale."

The report said companies required that their accounts gave a "true and fair view" of the state of business and profits. But this had been so variously and loosely interpreted in practice that differences running to millions of dollars had been found between reported profits and the amounts considered, on official investigation, to be realistic.

It was not possible under existing accounting standards to know whether the information published in accounts was fairly indicative of the state of affairs and profits of any company or merely the consequence of the accounting rules it chose to use.

The committee suggested statutory interpretation of "true and fair" or specification of the general rules to be adopted in making up company accounts, or both.

The report suggested that diversity in accounting should be reduced. The setting of standards was one way, though the committee said Australian standards, and others which were considered, were largely a codification of existing practices, and were vague and ambiguous.

JAPANESE NEWS

Bank of Japan may relax restrictions

BY CHARLES SMITH — TOKYO, Dec. 6.

THE Bank of Japan may soon be in a position to relax controls on short-term foreign currency movements which were introduced, or rather intensified, last March as part of the Government's programme for combatting speculation against the dollar in the Tokyo foreign exchange market.

The controls include a ban on the purchase by non-residents of yen-denominated bonds with a maturity of up to five years and one month and a requirement for banks to make interest-free deposits with the Bank of Japan equivalent to 100 per cent of any increase (from pre-March levels) in their free yen deposits.

The Bank of Japan says it has not yet "officially considered" the question of rescinding the March controls, but adds that it will relax them "when the situation permits." A bank spokesman went on to say today that he considered the situation in the foreign exchange markets had improved "dramatically" since the announcement of President Carter's dollar defence measures at the beginning of November.

Relaxation of the March controls would probably mean a return to the situation which existed for four months after November, 1977, when a series of less stringent but still fairly severe controls on short-term money movements were introduced.

The November series of controls set the interest-free deposit requirement on free yen deposits at 50 per cent and banned non-residents from acquiring short-term Treasury bills.

Rumours that the Bank of Japan may relax the controls have been circulating in Tokyo since last week when the dollar temporarily recovered to Y200.

Tokyo SE warning

TOKYO, Dec. 6

THE PRESIDENT of the Tokyo Stock Exchange, Mr. Hiroshi Tanimura, has urged corporate and institutional investors in the market to be more prudent in their investment decisions. He gave a warning that the recent sharp rise in prices cannot continue indefinitely

He said that a "fickle" attitude on the part of some investors, pursuing short-term gains, has been evident during the recent price surge.

Such a rise in prices as has been seen recently, divorced from basic economic realities, cannot go on indefinitely, he said in a statement.

The firms should be more cautious about share price movements triggered by possibly incorrect information, the statement said.

The Tokyo Dow-Jones average rose above the 6,000 mark for the first time on December 1, and has continued upwards in heavy trading, closer today at 6,050.93 — down 1.78 on the day — compared with the 1978 low of 4,867.91, set on the first trading day of the year.

The main fundamental factor behind the surge has been a heavy excess of savings over investment within the Japanese economy, with corporations and other investors channelling surplus funds into the stock market.

Reuter

Effect on economy of six top groups to be studied

TOKYO, Dec. 6.

JAPAN'S Fair Trade Commission said it will launch an investigation to determine whether six major Japanese business groups may unduly influence the nation's economy.

The targets of the investigation will be Mitsui, Sumitomo, Mitsubishi, Sanwa Bank, Dai-Ichi Kangyo Bank, and the Fuyo Group: these include Japan's leading banks and trading houses.

The purpose of the investigation will be to find out if the presence of the groups may unfairly impede free competition and hurt the economy.

The investigation does not mean that the six groups are violating law, commission stressed. It merey wants to look into the present state of affairs to prevent possible adverse effects in the future.

Toward this end, the commission will find out how strongly the groups are influencing the economy and how close co-operation is between member companies in each group.

According to a survey which the agency conducted in 1974, the 185 companies belonging to these groups accounted for 21.9 per cent of the entire capital in industry and business and 22.9 per cent of assets.

AP-DJ

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1970=100); retail sales volume, retail sales value (1971=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1977							
3rd qtr.	106.3	103.3	106	104.3	234.2	1,413	151
4th qtr.	105.9	102.1	107	104.4	238.4	1,431	137
1978							
1st qtr.	107.1	102.5	110	106.3	246.0	1,409	188
2nd qtr.	111.1	105.0	106	108.0	254.2	1,367	213
3rd qtr.	110.6	104.8		110.8	267.6	1,380	213
May	110.1	103.7	115	108.4	255.2	1,366	210
June	111.7	105.9	99	108.7	257.3	1,365	217
July	111.1	105.2	109	111.4	265.8	1,371	211
August	110.9	105.2	110	111.8	270.3	1,392	209
Sept.	109.8	104.0		109.5	266.6	1,378	219
Oct.				109.6	267.2	1,360	228
Nov.						1,339	[illegible]

OUTPUT—By market sector: consumer goods investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1977							
3rd qtr.	104.3	98.7	116.5	99.9	107.8	101.3	25.4
4th qtr.	104.9	97.5	114.4	98.7	95.2	100.2	20.7
1978							
1st qtr.	105.3	98.8	116.3	100.8	95.4	97.2	17.8
2nd qtr.	107.9	99.2	122.9	100.7	108.2	99.4	27.1
3rd qtr.	107.1	100.5	122.4	101.6	102.3	100.6	22.8
June	109.0	100.0	124.0	101.0	113.0	98.0	30.9
July	106.0	101.0	124.0	101.0	113.0	101.0	23.6
August	108.0	101.0	122.0	103.0	93.0	101.0	20.3
Sept.	107.0	99.0	121.0	100.0	101.0	99.0	24.5
Oct.							24.1

EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance; oil balance; terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn
1977							
3rd qtr.	124.4	106.6	+ 31	+574	−602	101.0	13.4
4th qtr.	117.6	102.7	− 5	+507	−657	102.4	20.39
1978							
1st qtr.	120.0	114.1	−608	−313	−842	104.3	20.63
2nd qtr.	122.5	110.4	−150	+183	−398	104.6	16.75
3rd qtr.	126.1	116.0	−281	− 36	−511	105.2	16.53
July	127.1	116.1	−134	− 59	−221	104.5	16.74
August	125.2	111.2	+ 68	+143	− 95	105.7	16.4
Sept.	125.9	120.7	−215	−140	−193	105.5	16.51
Oct.	128.2	111.8	+119	+209	−131	105.2	15.97
Nov.							15.67

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1977							
3rd qtr.	28.0	10.4	20.3	+365	1,137	1,149	7
4th qtr.	23.2	11.6	8.7	+698	1,639	1,189	7
1978							
1st qtr.	24.3	23.8	17.5	+1,791	1,049	1,260	6½
2nd qtr.	8.5	13.7	24.6	+2,858	694	1,383	10
3rd qtr.	16.8	5.3	8.6	+525	746	1,427	10
July	9.3	9.3	34.7	+104	200	458	10
August	5.7	1.6	15.7	−292	200	493	10
Sept.	16.8	3.3	6.6	+713	346	476	10
Oct.	13.7	5.4	1.6	+535	363	469	10
Nov.							12½

INFLATION—Indices of earnings (Jan. 1976=100); basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (Dec. 1971=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1977							
3rd qtr.	116.1	146.4	142.9	184.7	192.1	239.9	61.8
4th qtr.	119.9	142.2	145.8	187.4	193.3	234.2	63.3
1978							
1st qtr.	123.1	140.2	149.2	190.6	197.3	238.61	64.6
2nd qtr.	129.9	146.3	132.0	193.8	203.8	242.27	61.5
3rd qtr.	133.2	144.9	154.7	199.2	206.2	233.74	62.4
July	133.6	145.8	153.6	198.1	206.1	237.68	62.1
August	131.7	144.2	154.8	199.4	206.2	248.54	62.4
Sept.	134.2	144.8	155.7	200.2	206.3	253.74	62.7
Oct.		145.8	156.6	201.1	205.6	265.22	63.1
Nov.		147.2	157.1			263.63	62.7

* Not seasonally adjusted.

VONTOBEL EUROBOND INDICES
[illegible] = 100%

PRICE INDEX	5.12.78	28.11.78	AVERAGE YIELD	5.12.78	28.11.78
DM Bonds	104.30	104.53	DM Bonds	6.686	6.646
HFL Bonds & Notes	98.41	99.62	HFL Bonds & Notes	8.476	8.422
U.S. $ Strt. Bonds	96.91	96.63	U.S. $ Strt. Bonds	9.354	9.398
Can.-Dollar Bonds	93.78	93.37	Can.-Dollar Bonds	10.223	10.309

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The Chief Accountant and Financial Adviser will report to the Chief Executive and will be responsible for a central unit which provides financial and management accounts, assessment of commercial projects, forecasts and budgets. The type of service varies between the three Divisions according to the character of the business and their commercial needs. The person appointed will be expected to contribute to future planning over the range of the financial arrangements of these Divisions.

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D. F. C. Mann,
Personnel and Administration Director,
Milk Marketing Board,
Thames Ditton, Surrey, KT7 0EL.
(01-398 4101).

COMPANY NOTICE

General Mining Group

DIVIDEND DECLARATIONS

NOTICE IS HEREBY GIVEN that dividends have been declared by the undermentioned companies, payable to shareholders registered at the close of business on 22nd December 1978. The registers of members of the companies will be closed from 23rd December, 1978 to 5th January, 1979, both days inclusive.

No instructions involving a change of the office of payment will be accepted after the last day to register.

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on the undermentioned currency conversion dates or the first day thereafter on which a rate of exchange is obtainable.

Non-resident shareholders tax of 15% will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa.

Payment will be made by the transfer secretaries mentioned below.

The full conditions of payment may be inspected at or obtained from the London office of the companies or the offices of the transfer secretaries.

All companies mentioned are incorporated in the Republic of South Africa.

Dividends on shares included in share warrants to bearer of West Rand Consolidated Mines Limited, will be paid in terms of a notice to be published later.

DIVIDENDS

Name of Company	Dividend No.	Per share cents	Posting date	Currency Conversion date	Description	Total Dividend for the year cents
Buffelsfontein Gold Mining Company Limited	43	80	8.2.79	30.1.79	Interim	—
Stilfontein Gold Mining Company Limited	49	50	8.2.79	30.1.79	Final	66
West Rand Consolidated Mines Limited						
—Ordinary Shares	90	10	8.2.79	30.1.79	Final	17½
—Deferred Shares	88	307	8.2.79	30.1.79	Final	[illegible]
The Clydesdale (Tvl) Collieries Limited						
—Ordinary Stock	121	8	22.2.79	12.2.79	Interim	—
Trans-Natal Coal Corporation Limited	33	16	22.2.79	12.2.79	Interim	—
The Griqualand Exploration & Finance Company Limited	55	31	22.2.79	12.2.79	Final	55

By Order of the Boards
GENERAL MINING AND FINANCE CORPORATION LIMITED
London Secretaries
per: L. W. HUMPHRIES

London Office:
Princes House,
95 Gresham Street,
London EC2V 7NN.

Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent, TN24 8EQ.

6th December, 1978.

LEGAL NOTICES

THE COMPANIES ACTS 1948 to 1976
READER SHIPPING LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situate at 3/4 Bentinck Street, London W1A 3BA, on Friday, the 8th day of December 1978, at 12 o'clock midday, for the purposes mentioned in sections 294 and 295 of the said Act.

DATED this 21st day of November 1978.
By Order of the Board,
W. S. READER,
Director.

THE COMPANIES ACTS 1948 to 1976
GILLINA BUILDERS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situate at 3/4 Bentinck Street, London W1A 3BA, on Tuesday, the 12th day of December 1978, at 12 o'clock midday, for the purposes mentioned in sections 294 and 295 of the said Act.

DATED this 23rd day of November 1978.
By Order of the Board,
C. D. SPENCER,
Director.

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Any person or Company who consider they may have a claim against the above-mentioned firm, or any partner of the firm, and who have not completed and returned a Form of Assent to the Trust Deed, must lodge their claim by 31st January, 1979.

No claim submitted after 31st January, 1979 will rank for distribution of dividends. Further claims should be forwarded direct to R. A. Thompson, Esq., Trustee for the Creditors of James O'Connor & Company, The Stock Exchange, London EC2N 1HP, or David Ensor, Esq., Messrs. Eugene F. Collins & Son, 61, Fitzwilliam Square, Dublin 2.

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Wall St. slightly higher after active trade

INVESTMENT DOLLAR PREMIUM
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TUESDAY'S BROAD advance was extended at the outset yesterday on Wall Street, but subsequent profit-taking brought the market back in its tracks before turning upwards again in the closing minutes of an active trading session.

The Dow Jones Industrial Average, up 13.7 the previous day, rose afresh to 826.40 at 10.30 am and then retreated to 817.91 at 3.30 pm prior to closing 1.39 higher on the day at 821.90. The NYSE All Common Index finished a net 7 cents firmer at $54.51, after extremes of $54.83 and $54.36. Following an early four-to-oneratio lead, gains finally outscored declines by just a narrow margin of 865 to 595. Turnover further increased to 29.83m shares from Tuesday's level of 25.69m.

Forecasts that short-term interest rates may soon peak fuelled Tuesday's market rise, but analysts said there is still no real concensus about interest rates.

A number of economists have predicted that interest rates will have to go still higher before reaching a peak. Harris Trust vice-president Beryl W. Sprinkel yesterday predicted that the prime rate will peak near 13 per cent "in several months" and average slightly below 12 per cent for all of 1979.

Early buying yesterday followed a Press report that for the first time in 18 months, strategists at Merrill Lynch Pierce Fenner and Smith, who advise large institutions, are recommending that clients begin to reduce cash reserves and buy stocks to get into position for the next bull market.

However, during the trading session, Wage-Price Council chairman Kahn said the Council has assigned economists to study the nation's gasoline shortage situation. He said oil and petrol prices would probably have to rise to prevent shortages, and there is a possibility the Government might have to consider rationing of unleaded gasoline. The market lost some of its vigour shortly after he made the statement.

Among the actives, **Polaroid** picked up ½ to $52½ and **Exxon** ½ to $50⅞. **Minnesota Mining and Manufacturing** put on ½ to $62. A block of 30,000 shares were traded at $62.

Deere, down ⅞ on Tuesday on lower fiscal fourth-quarter profits, bounced back with a gain of 1⅛ to $33⅞ in active trading.

Boeing topped the actives list but eased ⅞ to $73⅞, while **Eastman Kodak** lost ⅞ to $60⅜ and **General Motors** ½ to $56½.

Textron receded 1½ to $26. The company has stopped work on an Iranian helicopter contract.

Gold shares were in good form. **Dome Mines** moved ahead 2¼ to $70⅞ and **Campbell Redlake** 1⅞ to $29. Both companies voted extra cash dividends and Campbell Redlake raised its quarterly payment.

San Juan Racing advanced 1⅞ to $13½. A group of private investors have offered to buy the company for $20 a share. **Wheelabrator-Frye**, after raising the quarterly dividend, put on 1¼ to $31, and **Neptune International**, which has agreed to be acquired by Wheelabrator for stock, climbed 1¼ to $23½.

U.S. Steel eased ¼ to $22¾. It is holding talks on an iron ore project in China worth more than $1bn. **General Cable** improved ¼ to $16. It has sold its stake in BICC for $29m.

THE AMERICAN SE Market Value Index finished 0.41 firmer at 151.94 after a fairly active business of 3.55m shares (3.31m).

Wang Laboratories put on ⅜ to $29. It has introduced an office printer using fibre optics technology and two other new products.

Forest City Enterprises picked up ⅜ to $10⅝ on increased third-quarter earnings and a raised dividend.

Resorts International "A" topped the actives list but slipped ⅝ to $26⅞.

Canada

Stock prices mostly gained ground in a fairly active trade, with the Toronto Composite Index rising 3.1 to 1,285.2. Golds, responding to higher London Bullion prices, advanced 29.9 to 1321.9 on index, while Oils and Gas added 7.0 at 1,783.3 and Papers 1.29 at 133.78. Banks, however, receded 1.04 to 303.27.

Automotive Hardware "A" were up ½ at C$20 on a planned two-for-one share split.

Central and Eastern Trust "A" shed ¼ to C$12¼. The company intends offering C$138 a share for 475,000 shares of Credit Foncier Franco-Canadien.

Tokyo

Shares again presented a mixed appearance at the close following another active business, with large-capital and export-orientated issues mainly lower on profit-taking and general selling, but medium and low-priced stocks pointing generally higher.

The Nikkei-Dow Jones Average shed 1.76 more of its recent good rise to close at 6,050.93, while volume came to 490m shares (620m).

Caution following Exchange president Hitoshi Tanimura's warning about the recent stock market upsurge prompted the profit-taking, and affected issues such as Nippon Steel and Hitachi, Y3 off at Y255, which have been heavily bought recently.

The easier dollar against the yen on the foreign exchange market further upset export-orientated issues, **TDK Electronic** retreating Y60 to Y1,880, **Canon** Y8 to Y460 and **Toyota Motor** Y10 to Y898.

Pharmaceuticals lost ground, but Real Estates, Textiles, Machinery concerns and Petroleums were higher.

Germany

Share prices mostly gained ground in livelier trading, influenced by the results of the Brussels summit which is expected to lead to a stabilisation on the foreign exchange market. The Commerzbank Index rose 7.0 to 833.0.

Motors rose strongly, with **Daimler** adding DM 8 and **BMW** DM 8. In Banks, **Bayernhypo**, which announced improved operating profits for the first ten months of 1978, gained DM 3, while **Bayerische Vereinsbank** advanced DM 4. Stores had **Kaufhof** up DM 4.

Preussag, which said it is unclear if fourth-quarter business will be sufficient to balance 1978 results, nevertheless gained DM 1.60. Among Electricals, **AEG** moved ahead DM 2.90 and **Siemens** DM 2.80, while in Engineerings, **MAN** put on DM 2.50.

The Domestic Bond market was mixed following news of the issue of U.S. mark-denominated securities, with Public Authority issues showing both gains and losses extending to 20 pfennigs. The Regulating Authorities sold a nominal DM 9.9m of stock after buying DM 28.7m the previous day. Mark Foreign Loans were well maintained.

Paris

Market improved afresh in more active trading than of late, with some foreign buying taking place prompted by the relative firmness of the French franc on the foreign exchange market. The Paris Bourse Industrial index finished 0.5 higher at 77.8.

Peugeot Citroen gained 9 to FFr 499 after announcing higher nine-month sales.

BIC advanced 27 to FFr 540, **Carrefour** 31 to FFr 2,290, **Jaques Borel** 7 to FFr 126, **Pechiney** 3.4 to FFr 82.9 and **Thomson Brandt** 5.5 to FFr 252.5.

Australia

Late selective buying interest brought some life to an otherwise dull trading session yesterday, leaving stocks firmer for choice on balance.

Market leader **BHP** again featured by strengthening 18 cents more to A$8.66, while **Westfield Properties**, after recent buoyancy on the reorganisation proposals, recorded a fresh advance of 18 cents at A$8.48.

International Combustion moved ahead 15 cents to A$2.00 and **Australian Foundation Investment** gained a further 4 cents to A$1.00, while **G. J. Coles**, in Stores, recouped 5 cents to A$2.17.

Among Banks, **BNS Wales** rose 8 cents more to A$6.58 and **National** put on 3 cents to A$2.48.

In the Mining sector, **Renison Tin** appreciated 20 cents to A$8.70 and **MIM** 4 cents to A$2.44, while Coals issue **Oakbridge** improved 5 cents to A$1.80. In contrast, **Peko-Wallsend**, in Uraniums, declined 8 cents to A$5.38, **Central Norseman Gold** 30 cents to A$11.20 and diamond speculative **Audimco** 4 cents to 55 cents.

Hong Kong

Market returned to a firmer tack yesterday in moderate activity, mainly on local interest. The Hang Seng index rose 8.15 to 525.08.

Hong Kong Wharf led the ad- vance, moving ahead HK$1.40 to HK$29.40, while **Hong Kong Bank** rose 20 cents to HK$17.80, **Hong Kong Land** 15 cents to HK$8.25, **Swire Pacific** and **Hutchison Whampoa** 10 cents each to HK$8.10 and HK$4.50 respectively, and **Wheelock** 2.5 cents to HK$2.675, although **Jardine Matheson** were unchanged at HK$12.20.

China Light gained HK$1 to HK$25, **Hong Kong Telephone** 60 cents to HK$28.80 and **Hong Kong Hotels** 30 cents to HK$17.80.

Singapore

Shares were in firmer fettle in light trading, with the Singapore Straits Times Index picking up 2.12 to 352.54.

Sungei Besi, cum dividend, added 75 cents at S$7.60, while **Fraser and Nave** rose 6 cents to S$4.98, **National Iron** 15 cents to S$5.85 and **Tractors** also 6 cents to S$4.74. **Malayan Banking** gained 10 cents to S$6.00 and **Overseas Chinese Banking** 15 cents to S$7.90.

Amsterdam

Bourse prices tended to harden a little, with **Hoogovens** and **Unilever** each Fl 0.60 higher in Dutch Internationals.

Elsewhere, **Fokker**, **Amfas**, **Deli** and **Ahold** recorded gains of between Fl 2 and Fl 3.20. However, **Heineken**, up Fl 3.70 on Tuesday, reacted Fl 1.50 ahead of the annual results, due later yesterday.

State Loans were narrowly mixed.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
♦ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ◆ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

† Bid. * Asked. § Traded. ‖ New stock.

Indices

NEW YORK—DOW JONES

	Dec. 6	Dec. 5	Dec. 4	Dec. 1	Nov. 30	Nov. 29	1978 High	1978 Low	Since Compilation High	Since Compilation Low
• Industrials	821.90	820.51	806.85	811.50	799.03	790.11	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	86.45	86.37	86.28	86.25	86.41	86.44	90.85 (4/1)	86.12 (13/11)	—	—
Transport	218.20	218.20	215.55	216.60	212.36	208.71	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	101.52	100.78	100.27	99.97	99.56	99.26	110.98 (3/1)	98.36 (14/11)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	28,850	25,690	22,920	26,820	19,920	21,160	—	—	—	—

* Base of index changed from Aug. 24. • Day's high 829.97 low [illegible]

	Dec. 1	Nov. 24	Nov. 17	Year ago (approx.)
Ind. div. yield %	5.97	5.85	5.90	5.57

STANDARD AND POORS

	Dec. 6	Dec. 5	Dec. 4	Dec. 1	Nov. 30	Nov. 29	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Industrials	108.34	108.50	106.89	106.96	105.16	104.81	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	97.49	97.44	96.16	96.28	94.70	93.75	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Nov. 29	Nov. 22	Nov. 15	Year ago (approx.)
Ind. div. yield %	5.23	5.12	5.27	4.84
Ind. P/E Ratio	8.73	8.90	8.64	9.35
Long Gov. Bond yield	8.78	8.67	8.56	7.77

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	12½%	■ Hambros Bank	12½%
Allied Irish Banks Ltd.	12½%	■ Hill Samuel	§12½%
American Express Bk	12½%	C. Hoare & Co.	†12½%
Amro Bank	12½%	Julian S. Hodge	13½%
A P Bank Ltd.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Industrial Bk. of Scot.	12½%
Associates Cap. Corp.	12½%	Keyser Ullmann	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	14½%
Bank of Credit & Cmce.	12½%	Lloyds Bank	12½%
Bank of Cyprus	12½%	London Mercantile	12½%
Bank of N.S.W.	12½%	Edward Manson & Co.	13 %
Banque Belge Ltd.	12½%	Midland Bank	12½%
Banque du Rhone	13 %	■ Samuel Montagu	12½%
Barclays Bank	12½%	■ Morgan Grenfell	12½%
Barnett Christie Ltd.	13½%	National Westminster	12½%
Bremar Holdings Ltd.	13½%	Norwich General Trust	12½%
Brit. Bank of Mid. East	12½%	P. S. Refson & Co.	12½%
■ Brown Shipley	12½%	Rossminster	12½%
Canada Perm't Trust	12½%	Royal Bk. Canada Trust	12½%
Cayzer Ltd.	12½%	Schlesinger Limited	12½%
Cedar Holdings	12½%	E. S. Schwab	13½%
■ Charterhouse Japhet	12½%	Security Trust Co. Ltd.	13½%
Choulartons	12½%	Shenley Trust	14 %
C. E. Coates	12½%	Standard Chartered	12½%
Consolidated Credits	12½%	Trade Dev. Bank	12½%
Co-operative Bank	*12½%	Trustee Savings Bank	12½%
Corinthian Securities	12½%	Twentieth Century Bk.	13½%
Credit Lyonnais	12½%	United Bank of Kuwait	12½%
Duncan Lawrie	12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Eagil Trust	12½%	Yorkshire Bank	12½%
English Transcont.	12½%		
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
■ Antony Gibbs	12½%		
Greyhound Guaranty	12½%		
Grindlays Bank	12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10½%.
† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10½% and over £25,000 10¾%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

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FARMING AND RAW MATERIALS

Christmas tree supply warning

By Our Commodities Staff

THERE WILL be a shortage of small natural Christmas trees this year, the Timber Growers' Organisation warned yesterday.

It blames the shortage mainly on competition from plastic imitation trees, which in 1970-71 persuaded growers of natural trees to reduce their plantings since there appeared to be a surplus of supplies.

However according to timber growers, representing private woodland owners in England and Wales, demand for live natural trees has proved unexpectedly strong.

The hot summer of 1976 was a further setback to supplies of small trees—growth was stunted and many were lost.

But the Organisation claims that the price per foot of natural Christmas trees will not be a great deal higher than last year.

Tin market recovers

By Our Commodities Editor

TIN PRICES rallied on the London Metal Exchange yesterday despite another big fall in the Penang market overnight.

Cash tin eventually closed last night £25 up at £7,335 a tonne after falling to £7,235 earlier in the day. The three months quotation, however, was £25 down at £7,192.5 a tonne widening the cash price premium to over £140.

In Penang the Straits tin price fell by $M58 to $M1,828 a picul (133.3 lbs) making a loss of $M118 in just two days. However London market sources are expecting a recovery with consumer buying interest apparent at the lower price levels.

● Reuter reported from La Paz: About 2,000 workers at the San José tin mine and 800 administrative staff at the local office of the Bolivian State Mining Company, Comibol, went on strike in a dispute between the province and the Government. Up to 10,000 workers threatened to strike if the dispute is not settled.

Peru copper strike vote

LIMA, Dec. 6.

The 1,200 workers at Southern Peru Copper Corporation's 180,000-tonnes-per-year Cuajone copper mine have voted to continue their indefinite strike until their demands for higher wages and the dismissal of four senior executives at the mine are met, Peruvian Mineworkers' Federation official Maximo Paz Calle told Reuter here.

Second potato support buying campaign planned

BY JOHN EDWARDS, COMMODITIES EDITOR

THE POTATO Marketing Board is planning a second support buying programme to lift potato prices to more "reasonable" levels.

Mr. J. Arbuckle, vice-chairman of the Board, said yesterday that after protracted negotiations the Ministry of Agriculture had promised to announce a decision shortly on whether or not to approve another support buying campaign.

He was confident the scheme would be given the go-ahead, otherwise the Government faced building up a large liability for deficiency payments to give growers the guaranteed minimum price of £43.90 a tonne.

Present market prices are around £32 a tonne. But Mr. Arbuckle pointed out that even a rise of £20 a tonne to provide growers with adequate returns would raise the retail price of potatoes by less than 1p a lb.

He did not think the housewife would object to paying a little bit more to ensure continuity of supplies, since at present price levels potatoes were very good value for money.

Mr. Arbuckle believed the market was "on the edge" for a rise in prices in any event, partly on the imminence of a further buying programme. He expressed disappointment that only 6,000 growers had participated in the first support programme, which had introduced a new system whereby registered producers were offered the chance to sell the Board 10 per cent at the start of the main crop.

Mr. Arbuckle estimated that more than 17,000 eligible growers had not responded. The 6,000 growers had in fact made up the shortfall by selling up to 40 per cent of their crop in some cases to provide the Board with a total of 450,000 tonnes.

But Mr. Arbuckle argued it would have been more effective in boosting market confidence if the offerings had been more widely spread.

The Board estimates that there will be a surplus of around 500,000 tonnes of potatoes from the 1978 crop, which because of record yields is estimated to have reached a peak of 6.4m tonnes.

It is felt that the market can best be controlled if supplies are take off early in the season, especially as this helps sales of surplus potatoes as stockfeed by being available at a more suitable time.

Last season nearly £24m was spent in supporting potato growers. The growers paid £5.7m in the form of levies to the Board. The Government contributed £9.6m to support buying and paid a further £8.6m as a deficiency payment to fill the gap between the market price and the guarantee price for producers.

This year the guarantee price was cut by 4 per cent, but growers still exceeded by 12,000 hectares the plantings target of 172,000 hectares recommended by the Government. The Board is hopeful that growers will cut back closer to next season's target of 170,000 hectares.

It is also estimated that consumption is now recovering from the setbacks resulting from the high prices in 1975 and 1976. But Mr. Arbuckle, deputising for Mr. Geoffrey Grantham, the Board chairman who was absent through illness, stressed the need to improve quality and the standard of "dressing" the main crop.

There were still too many growers not doing a fair job, merchants who are prepared to buy rubbish and retailers prepared to sell it, he commented.

Poultry may oust beef as top meat

POULTRY is threatening to overtake beef as the top-selling meat in Britain.

It will steal the lead "in no time at all" if better efforts are not made and more money spent on promoting butchers' meat, Mr. Colin Cullimore, managing director of the Dewhurst retail butchers chain, warned in London yesterday.

Chicken was already the number one choice among housewives buying a weekend roast, he claimed.

Speaking at the Royal Smithfield Show Mr. Cullimore was attacking the poor promotional efforts made by the M.E.A.T. offshoot of the Meat and Livestock Commission.

The British Poultrymeat Association was spending £1.2m on television and £500,000 on magazine advertising. The Irish Meat Board was raising £1m for promotion while the British meat industry still did not know what its advertising budget would be for the New Year, he said.

Mr. Cullimore also attacked reports of impending cuts in meat prices as "dangerous talk . . . callously cruel to the housewife."

"There is no chance of a reduction in meat prices and it is therefore dishonest to say so," he said at the Royal Smithfield Show.

Recent stable prices had helped to raise meat consumption. Since May the average price of the meat on sale in Dewhurst shops had varied between 51p and 52.5p a pound.

He claimed this stability would continue for the next four months with the average price going up less than 5p a pound.

Even working from his own figures, however, this would suggest a rise of approaching 10 per cent.

'Computer as important as a combine harvester'

BY A CORRESPONDENT

THE CONTROL given by a computer on the farm is as important as the combine harvester, according to one enthusiast at a conference on computers in agriculture in London yesterday.

Mr. Maitland Mackie, who has introduced a computer on his farm north of Aberdeen, said he had many problems initially due to bad communication and poor information inputs and these had been overcome.

But like other delegates, he warned of the dangers of "sharks" and advised dealing with companies of "established track records."

Reading University figures indicated that there was little financial difference between owning a mini-computer and hiring a bureau. Most of the farmer users present felt that personal control and inflation-proofing by ownership was more attractive.

However, the average farmer in the next couple of years clearly will not own his own computer and requires a specialist adviser with the computer back-up to answer detailed questions. It was felt such large organisations, which could provide this service, such as the Agricultural Development and Advisory Service (ADAS) and the Milk Marketing Board (MMB) have been remarkably slow in exploiting the considerable resources at their disposal.

New bid to agree EEC fish policy

By Margaret Van Hattem

BRUSSELS, Dec. 6.

MR. JOHN SILKIN, the UK Minister of Agriculture and Fisheries, will meet Mr. Finn Olav Gundelach, EEC Fisheries Commissioner, here tomorrow in an attempt to resolve the latest impasse in negotiations for a common fisheries policy.

Hopes that the two-year struggle between Britain and its EEC partners would be resolved before the end of the year were dashed two weeks ago when Mr. Silkin presented the other EEC Fisheries Ministers with specific and detailed demands for preferential British rights in UK coastal water up to 50 miles.

The German Minister, Herr Josef Ertl, promptly closed the meeting and referred the issue to heads of Government meeting here earlier this week, but they appear barely to have discussed the matter.

It is generally felt that the fishing talks failed because both Mr. Silkin and Herr Ertl miscalculated badly: Mr. Silkin in producing a document merely restating old demands without indicating where he might be ready to compromise; Herr Ertl in taking the document at face value.

Mexico allows low-price coffee sales

MEXICO CITY, Dec. 6.

THE MEXICAN Coffee Institute (Inmecafe) confirmed it is permitting some coffee export sales below the official minimum export registration price of $160 per 100 lb.

An Inmecafe spokesman said that for the past four weeks prices were being fixed daily in accordance with demand.

No prices were fixed in the past three days because of poor demand and the last deal registered was in the region of $144/145 for December shipment, he said.

Meanwhile, the Brazilian Coffee Institute said it was not adjusting the contribution quota (export tax) on green coffee exports to allow for a cut in the value of the cruzeiro.

Our Commodities Staff writes: Coffee prices were lower at the opening on the London futures market yesterday following confirmation of cut-price sales by Mexico and Brazil's decision effectively to lower its export price slightly.

● Cocoa futures collapsed the permissible limit down at the opening of the New York market last night. The fall came after the London market had closed only marginally lower.

EEC DAIRY POLICY

No easy way to lift milk powder burden

BY CHRISTOPHER PARKES

EVEN IF the European Community was to manage to get rid of its milk surplus and pare down the butter "mountain" it would still have far too much dried skimmed milk powder on its hands.

And for as long as dairy farmers' incomes in Europe are supported through the intervention prices the EEC will remain stuck with a milk powder surplus.

These are the main conclusions of a study prepared by the Milk Marketing Board on the prospects for milk powder production and sales in the future.

And while the authors provide an exhaustive and intriguing analysis of the factors which have produced the structural powder glut, and take a thoughtful look at the future, they offer little in the way of solutions which might free the EEC from one of its more burdensome political and financial embarrassments.

Their most effective-seeming idea—a change in the relative values of the various components of milk—while providing perfect conditions for an increase in powder consumption at the full market price, would also lead to a further growth in surpluses of butter and add an extra 550m units of account a year at least on to the cost of propping up the European dairy industry.

The germ of another suggested solution lies in the argument often put forward by the former Agricultural Commissioner, Mr. Pierre Lardinois.

He often said that the high intervention price for skimmed milk powder inside the EEC—£845 a tonne in West Germany at present compared with a world price of £250—meant that dairy producers had no incentive to develop new uses or outlets for milk powder.

As the report points out: "It might be said that the stability which intervention offers also has a depressive effect on product development."

This lack of research and marketing enterprise is contrasted with the changes which have occurred in the trade handling whey powder (skim is a by-product of butter making and whey the "waste" from the cheese process) which has no support from the Common Market's intervention system. While much liquid whey is still dumped, it is gradually becoming economic for dairies to use it in new products such as alcohol, egg and sugar substitutes. Whey powder is also an important constituent in many baby foods.

In a few years, the authors claim, these outlets will be taking up significant quantities of whey.

And now that the future of the traditional style of intervention support is in some doubt, at least according to outline proposals emanating from the Commission headquarters, there is a good case for promoting collective action among milk producer organisations to find new uses for liquid skimmed milk and powder.

Funds, it is suggested, should come from an EEC-wide co-responsibility levy—a tax imposed on all milk delivered to dairies.

"The substantial costs of research could then be spread across all producers in the Community. Commercial exploitation of successful results might then be left to individual marketing organisations acting competitively, the report says.

Discipline

But aside from this, which would plainly take several extremely costly years to produce any worthwhile results, the next best proposed solution is that an international agreement might be sought with other exporting countries to bring "better discipline" into the world market.

Precisely the sort of flannel produced over and over again by the EEC Commission itself which has long been, and remains, the most disruptive influence in the international dairy trade.

Alternatively, it is suggested, greater quantities could be disposed of in the already heavily-loaded "food aid" market. New Zealand, for example, is already getting rid of some of its surplus through Japanese food aid channels.

The report makes clear that the Common Agricultural Policy, profligate as it is, cannot bear all the blame for the current surplus. Even before the common dairy policy came into operation in 1968 EEC production of skim powder exceeded full-price consumption. But things have certainly grown worse. In 1965 the EEC produced 775,000 tonnes of dried skim. Last year output fell marginally short of 2m tonnes.

And of the 1.8m tonnes consumed within the EEC only 230,000 tonnes were sold at the full market price. Most other sales were made at heavily subsidised prices for animal feed, the overwhelming bulk going ironically into the industry producing "milk replacer" feed for calves.

But powder cannot compete economically with other protein while the price is still being fixed in relation to Community policy towards dairy farmers as people and businessmen rather than the needs of the market for the product.

For all the talk of hiving off the Continental peasants under some sub-heading in the regional fund or social fund budgets, nothing is likely to be done in the foreseeable future. Evidently action has to be taken elsewhere.

The difficulties of the Milk Board's economists who prepared the report are highlighted in their projections which establish the ideal level of milk production in Europe to meet liquid drinking milk and butter consumption needs.

Assuming that New Zealand butter supplies were blocked out of Europe and the Community had to rely wholly on its own resources, production of the by-product skim powder in the nine would still be 1.74m tonnes.

Allowing for 120,000 tonnes of butter imports which would necessitate annual milk production of 99m tonnes compared with 105m tonnes at present, there would still be 1.5m tonnes of powder produced each year. Some 1.25m tonnes of it would have to be stockpiled or disposed of with costly subsidies.

Politicians may shudder, but the inescapable conclusion once again appears to be that if the cost of the CAP is to be the main criterion in the management of the policy, the most suitable way of dealing with the skimmed milk powder mountain is to take it out to sea and throw it overboard.

● Limited supplies of the report, Skimmed Milk Powder in the EEC, are available from the Milk Marketing Board, Public Relations Division, Thames Ditton, Surrey.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—[illegible]

[illegible]

COFFEE

ROBUSTAS traded in a narrow range in calmer conditions as speculation continued over Mexico's selling policy, Drexel Burnham Lambert reported. Trade buying on the close took the market to the highs as the new C Contract improved and final levels were £10-£15 lower on balance.

[illegible]

GRAINS

[illegible]

SILVER

[illegible]

COCOA

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

COVENT GARDEN—[illegible] ... Kent 4.00-5.00. Beetroots—per 28 lb 0.80-1.00. Carrots—per 28 lb 0.70-0.90. Capsicums—per pound 0.30. Onions—per bag 1.00-1.80. Swedes—per 28 lb 0.60-0.70. Turnips—per 28 lb 1.00-1.20. Parsnips—per 28 lb 1.10-1.20. Sprouts—per pound 0.04-0.07. Spring Greens—per crate, Cornish 2.40-2.50.

COTTON

COTTON—Spot and shipment sales in Liverpool amounted to 224 tonnes, bringing the total for the week so far to 1,358 tonnes. Scattered operations in Middle Eastern growths attracted most attention, with occasional support in both North and South American qualities.

Plan to buy back U.S. cotton dropped

TOKYO, Dec. 6.

Japanese trading houses importing American raw cotton said they believe U.S. shippers have given up their recent offer to buy back from Japanese importers contracts for San Joaquin Valley California cotton, because their domestic short supply position has improved.

The shippers are now making fresh offers to sell American raw cotton to Japanese importers after their stock position became clear, indicating that they now need to buy back contracts from Far East customers, including Japanese and Korean, they said.

Japan has contracted to buy about 200,000 bales of San Joaquin Valley California cotton for shipments from November to March next year.

In Texas, a Lubbock Cotton Exchange Committee has estimated cotton production in the Texas High Plains area at 1,770,000 bales, up 38,000 bales from its previous estimate a month ago.

The new estimate compares with the record output last year of 3,215,400 bales.

Reuter

PRICE CHANGES

Price in tonnes unless otherwise stated.

	Dec. 6 1978	+ or —	Month ago
Metals			
Aluminium	£710		£710
Free market (cif)	$1,150/60		$1,55/85
Copper cash W Bar	£757.5	+1.5	£763.75
3 months do. do.	£783.25	+1	£784.25
Cash Cathode	£755	+2	£750.75
3 months do. do.	£771.75	+1	£771.25
Gold Troy oz.	$198.375	—1.25	[illegible]
Lead cash	£431	+3.25	£436
3 months	£404.75	+4.5	£420.5
Nickel	‡		‡
Free Market(cif)(lb)	$1.68		$1.75
	1.80		1.88
Platinum troy oz.	£156		£142
Free Market	£155.60	—0.85	£158.4
Quicksilver	$145-150	+2	$122/27
Silver troy oz.	299.35p	—2.6	292.65p
3 months	307.25p	—2.8	299.85p
Tin cash	£7,335	+25	£7,925
3 months	£7,192.5	—25	£7,752.5
Tungsten (z)	$142.63		$141/55
Wolfram 22.04 cif	$138/45		$143/48
Zinc cash	£353.5	—0.75	£356.75
3 months	£345	—2	£368.75
Producers	$720		$720
Oils			
Coconut (Phil)	$665p		$660
Groundnut	‡		‡
Linseed Crude	£345w		£361
Palm Malayan	$590t		$617
Seeds			
Copra Philip	$565p		$600
Soyabean (U.S.)	$277.5w	+5	$292
Grains			
Barley			
Home Future	£86.6	+0.1	£82.4
Maize			
French No. 3 Am	£106.5t	+0.5t	‡
Wheat			
No. 1 Red Spring	£95.25t	—0.5	£93.5
No.2 Hard Winter	£89.5x		[illegible]
English Milling †	£94		£91.5
Cocoa Shipment	£2,156	—5.5	£2,046
Future Mar.	£2,096	—5.5	£2,001.5
Coffee Future			
Mar.	£1,287	—11	£1,458.5
Cotton 'A' Index	‡		78.4c
Rubber kilo	59.75p	+1	63.75p
Sugar (Raw)	£100		£106
Wooltops 64s (kilo)	274p		272p

* Nominal. † New crop. ‡ Unquoted. m Nov.-Jan. p Dec.-Jan. t Feb., u Jan. w Dec. x Per ton. z Indicator prices.

FINANCIAL TIMES

Dec. 6	Dec. 5	Month ago	Year ago
259.54	260.08	264.24	241.55

(Base: July 1, 1952=100)

REUTERS

Dec. 6	Dec. 5	Month ago	Year ago
1512.7	1516.5	1533.2	1500.7

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Dec. 6	Dec. 5	Month ago	Year ago
Spot	390.18	390.37	395.42	349.61
Futures	385.45	387.39	391.98	325.99

(Average 1924-25-26=100)

MOODY'S

Moody's	Dec. 6	Dec. 5	Month ago	Year ago
Sple Commdty	981.1	980.1	981.7	887.3

(December 31, 1931=100)

★

GRIMSBY FISH—Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.50-£5.70, codlings £2.80-£3.80; medium haddock £3.50-£4.50, small £3.50-£4.50; large plaice £4.20-£5.00, medium £4.00-£5.00, best small £4.00-£5.00; large skinned dogfish £8.00, medium £5.50; large lemon soles £7.50, medium £6.00; rockfish £3.50.

★

LONDON SEEDS—Copra, Philippines dollars per tonne cif N. European ports, Dec. and Jan. 565 resellers. Soyabeans, U.S. dollars per tonne cif Tilbury. Jan. 277.25, Feb. 292.50 sellers. Linseed, Canadian, sterling per tonne cif UK [illegible] 149 [illegible] May 148.75, June-first half July 149 sellers.

U.S. Markets

Copper and precious metals rise

NEW YORK, Dec. 6.

GOLD closed slightly higher, in quiet conditions on mixed activity prior to results of the IMF auction. Silver closed easier on continued Commission House and local liquidation. Cocoa closed easier, on light arbitrage and charter selling reflecting Commission House stop-loss selling. Copper closed slightly higher on local short-covering. Sugar closed steady on light Commission House buying.

Cocoa—Dec. 178.80 (179.80), March 178.70 (179.80), May 176.20, July 174.80, Sept. 171.55, Dec. 167.90, March nil. Sales: 1,119.

Coffee—"C" Contract: Dec. 136.35-136.56 asked (138.50), March 127.30-127.50 (127.63), May 123.25-123.50, July 123.50, Sept. 121.50-122.50, Dec. 116.50-21.00, March 118.00-119.00. May nil. Sales 742.

Copper—Dec. 66.55 (66.10), Jan. 67.20 (66.90), Feb. 68.00, March 68.75, May 69.00, July 71.00, Sept. 72.00, Dec. 73.30, Jan. 73.70, March 74.30, May 75.30, July 76.10, Sept. 76.90.

Cotton—No. 2: Dec. 66.70 (66.62), March 70.40-70.45 (70.64), May 72.10-72.20, July 70.70-70.80, Oct. 67.40-67.50, Dec. 65.80-65.90, March 66.80-66.90, May 67.30 bid. Sales: 4,350.

*Gold—Dec. 197.70 (195.80), Jan. 199.20 (197.40), Feb. 200.90, April 204.50, June 208.10, Aug. 211.70, Oct. 215.40, Dec. 219.10, Feb. 222.90, April 226.50, June 230.20, Aug. 233.90, Oct. 237.60.

†Lard—Chicago loose 23.30. NY prime steam 25.00 (24.75 nom.).

‡‡Maize—Dec. 223½-223 (223½), March 235½-235 (235½), May 243½-243½, July 248½-249½, Sept. 249½, Dec. 252-252½.

§Platinum—Jan. 324.20-325.00 (323.90), April 326.70-327.00 (326.40), July 328.80-328.90, Oct. 331.10-331.30, Jan. 333.60-333.80, April 336.10-336.30, July 335.60-338.80. Sales: 1,426.

§Silver—Dec. 581.80 (588.10), Jan. 584.60 (591.40), Feb. 587.60, March 590.70, May 597.60, July 605.50, Sept. 613.60, Dec. 626.60, Jan. 631.10, March 640.10, May 649.20, July 658.40, Sept. 667.70.

Soyabeans—Jan. 678-679½ (669½), March 692-682 (682½), May 700-699½, July 703-704, Aug. 662½-696½, Sept. 673, Nov. 659½-659, Jan. 666½.

‖Soyabean Meal—Dec. 191.80 (195.50), Jan. 192.80-191.00 (197.10), March 190.00-189.50, May 186.50, July 186.00, Aug. 185.50, Sept. 186.00, Oct. 182.50-183.00, Dec. 181.50-182.00, Jan. 181.00-182.00.

Soyabean Oil—Dec. 24.60-24.65 (24.47), Jan. 24.60-24.65 (24.43), March 24.55-24.50, May 24.25-24.40, July 24.20, Aug. 24.10, Sept. 23.60, Oct. 23.70-23.75, Dec. 23.45-23.50, Jan. 23.40-23.45.

Sugar—No. 11: Jan. 7.90 bid (7.99), March 8.45-8.48 (8.46), May 8.74-8.75, July 8.96, Sept. 9.23-9.24, Oct. 9.36-9.37, Jan. 9.55-9.56, March 9.87, May nil.

Tin—654.00-680.00 nom. (655.00-682.00 nom.).

**Wheat—Dec. 360½ (361½), March 357½-357½ (356½), May 348½-348½, July 328½-329, Sept. 331½-332, Dec. 341½-342½.

WINNIPEG, Dec. 6. ††Rye—98.00 bid (95.50), May 102.50 asked (102.00 asked), July 102.90, Oct. 100.00.

††Oats—Dec. 86.60 bid (85.60 bid), March 81.70 bid (80.50 bid), May 79.80 bid, July 79.30.

††Barley—Dec. 78.00 bid (75.00), March 77.20 asked (76.10 bid), May 77.20 bid, July 77.20 bid, Oct. 76.70 bid.

§§Flaxseed—Dec. 268.90 bid (265.20 bid), May 277.00 bid (273.50), July 276.00 asked, Oct. 274.00.

¶Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 187.73 (186.95).

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100-ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob NY bulk tank cars. ‡ Cents per 56-lb bushel ex-warehouse, 5,000-bushel lots. § $s per troy ounce for 50-oz units of 99.9 per cent purity delivered NY. § Cents per troy ounces ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered fob cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60-lb bushel in store. †† Cents per 24-lb bushel. ‡‡ Cents per 48-lb bushel ex-warehouse. §§ Cents per 56-lb bushel ex-warehouse. 1,000-bushel lots. ¶ $s per tonne.

COMPANY NOTICES

STOCK EXCHANGE REPORT

Small institutional demand lifts selected equities

Tap price raised as investment funds appear for Gilts

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov. 27	Dec. 7	Dec. 8	Dec. 19
Dec. 11	Dec. 28	Dec. 29	Jan. 9
Jan. 2	Jan. 11	Jan. 12	Jan. 23

* "New time" dealings may take place from 9.30 am two business days earlier.

Selective investment buying of leading industrials yesterday enlivened the early trade, but stock markets were featured chiefly by the highly successful debut of the many-times oversubscribed Harris Queensway issue and by the appearance of institutional funds for Gilt-edged securities which enabled the Government broker to raise its price for supplies of the medium tap stock.

Equities began the session extremely quietly but gained momentum following buying of top-name companies. Interest was particularly noticeable in Courtaulds, although investors were none too keen to chase the price higher in order to obtain stock. Another active counter was that in the new nil-paid shares resulting from Beecham's recent rights issue and the price rose 11 to 66p premium on the last day of dealings before the stock becomes fully-paid.

Confirmation of the UK decision to stay out of the start of the European Monetary System made no further impression on sentiment; on the same question, however, Irish issues were often lower. News of the Pilkington's half-yearly results, which exceeded best expectations, failed to generate fresh enthusiasm for equities generally and prices came back a little from the day's best as a tending tendency set in towards the close.

Oversubscribed more than twenty times on application, Harris Queensway opened slightly higher than envisaged at 175p, a premium of 20 on the issue price of 135p; despite trading briskly, no further headway was made and the price finally settled at 172p, after 171p.

The day in British Funds mainly concerned the medium tap, Exchequer 12¼ per cent 1985. A combination of straight investment demand and switching from both short and long maturities was sufficient for the Government broker to withdraw at 97⅝ for supplies of the stock and become established later at 97¾. Business in remaining issues was described as steady with the emphasis again on the untapped short area of the market.

Largely reflecting a small business late the previous evening, Southern Rhodesian bonds opened easier. Little trade transpired except in the 2½ per cent 1965-70 stock which closed at £52 for a loss of three points.

Continuing to reflect the probability that Ireland will not initially be joining the EMS after all, the investment currency premium pushed up in active trading to close 3½ higher at 82¾ per cent. Yesterday's SE conversion factor was 0.7288 (0.7569).

The volume of business in the Traded Option market improved and the total number of contracts completed was 675 compared with the previous day's 353. Land Securities and Marks and Spencer were lively, recording 146 and 108p contracts respectively.

Irish Banks dull

Irish banks lost further ground on Ireland's late indecision regarding its possible participation in the projected European Monetary System. Bank of Ireland fell 12 more to 393p and the 10 per cent Convertible declined 10 points to £173, while Allied Irish cheapened 5 to 197p. Other overseas issues, however, closed firm on domestic and investment currency influences. Algemene, £124¼, and Deutsche, £114½, jumped 5¼ and 5½ points respectively, while Compagnie Bancaire rose 3½ points to £72¼ and Hong Kong and Shanghai gained 12 to 264p. Australian ANZ put on 12 to 312p and Bank of New South Wales 20 to 315p. Firm of late in response to a broker's circular, the major clearers drifted gently lower as buying interest dried up.

Apart from Phoenix which eased 2 to 242p, after 246p, in reaction to the disappointing third-quarter profits, Insurances closed a little firmer throughout. Supported up to a 1978 high of 28p in front of the mid-term figures, Edinburgh and General reacted to close unaltered at 24p, on disappointment with the statement.

West country brewers J. A. Devenish rose 2 to 197p on the improved results, while H. P. Bulmer gained 4 to 144p in a restricted market. Despite Tuesday's excellent final results, Irish Distillers fell 6 to 188p on Ireland's reluctance about the EMS.

News items enlivened an otherwise quietly firm Building sector. Tunnel B rose 4 to 298p on the £10.5m acquisition of Barrow Hepburn's chemical division. Further consideration of the West German disposals lifted Tarmac 3 to 158½p and the impressive interim results together with the chairman's confident statement prompted a gain of 2 to 78½p in Armitage Shanks. Second thoughts on the mid-term profits left International Timber a penny easier at 123p, but Johnson-Richards attracted buyers and improved 3½ to 93½p.

ICI attracted a little more trade than of late and improved 2 to 380p, but Fisons finished that much cheaper at 313p. Coalite and Chemical, unsettled by the poor interim results, lost 4 at 67p. British Benzol, on the other hand, became a good market and rose 3 to a 1978 peak of 35½p.

MFI at new peak

Further speculative buying on bid hopes helped MFI feature Stores once again with a fresh rise of 6 to a 1978 peak of 177p. Demand in a thin market helped A. G. Stanley put on 8 to 172p, while James Walker closed a like amount better at 120p with the shares 2 up at 104p. NSS Newsagents, however, reacted 6 to 104p following comment on the sluggish second-half performance. In front of today's interim results, Gussies A finished 2 better at 310p, after 312p. Profit-taking ahead of tomorrow's preliminary results left K Shoes 2 easier at 78p.

Inclined easier initially, GEC picked up to close without alteration at 340p; the interim results are due today. Elsewhere in the Electrical leaders, further consideration of the half-yearly statement left Plessey 3 lower at 109p. Down to 130p in the earlier dealings, BICC rallied to 132p before closing 3 lower on balance at 129p following confirmation that General Cable's 8.2 per cent holding in the company had been successfully placed through the market. Rotaflex were noteworthy for a gain of 3 to 47p, while Racal, 6 to the good at 344p, were assisted by news of the £20m radio communications export order.

John Brown encountered occasional buying interest and put on 8 to 392p, while other leading Engineers to edge a little higher included Hawker, 2 firmer at 232p, and Vickers, a penny harder at 196p. Among secondary issues, W. E. Norton became a weak market late at 30p, down 5, on the lower half-yearly profits, but Baker Perkins, up another 2 at 126p, continued firmly awaiting today's interim results. Buyers showed interest in Camford, 4 dearer at 67p.

Second thoughts on the annual results and hopes of a speedy solution of the bread strike talks helped RHM harden ½ to 52½p, after 53p. A dull market on Tuesday on fading bid hopes following the acquisition of Unican Foods, Robertson Foods rallied 2½ to 136p, but the vendor, Pentland Industries, at 23p, gave back nearly all of the rise of 2½ that stemmed from the sale.

Interim profits nearly £3½m in excess of market expectations buoyed Pilkington which rose sharply to touch 325p before closing a net 9 higher on balance at 315p. Ahead of being quoted in fully-paid form today, Beecham new shares were actively traded and the close was 11 better at 66p premium, while the Old closed 12 to the good at 622p. Awaiting further news of the talks currently taking place with several Canadian concerns regarding the possible sale of its interests in that area, Reed International relinquished 5 to 154p. Elsewhere, Dundonian, which reported excellent interim results on Tuesday, were speculatively supported on bid hopes and closed 5 to the good at 35p. Reflecting domestic and investment currency influences, Australian Broken Hill Proprietary appreciated 30 to 690p. Profit-taking after Tuesday's late spurt of 20 which followed news of the Board's capital proposals caused Hunting Associated, at 300p, to lose half of that rise.

Maddock were re-listed yesterday under Special Rule and, after opening at 16½p, the shares closed at 24½p following a good two-way business; dealings in the shares, formerly Meru Group, were suspended in 1976.

Quietly traded Motors tended firmer. Among Distributors, Heron rose another 3 to 118p. Reporting first-half profits, Arlington disappointed and fell 3 to 115p. With the expected pre-tax loss confirmed, Peak Investments added a penny to 8p on the company's optimism concerning future trading.

Renewed buying interest left News International 10 better for a two-day rise of 14 to 272p. Among Paper/printings, Sir Joseph Causton added 2 to 25p after the more-than doubled annual pre-tax profits. Jefferson Smurfit on the other hand, gave up 6 to 186p on the Irish EMS decision.

Properties made only limited headway despite a slightly improved trade. Elsewhere, Berkeley Hambro stood out with a rise of 6 at a high for the year of 146p. Peachey found support and firmed 1½ to 88p, while Country and New Town put on 2 to 34p. Corn Exchange, still involved in talks that may or may not lead to an offer, encountered revived interest and advanced 4 to 240p, but Bellway ended 2½ off at 80p following the late announcement of the reconstruction proposals. Clarke Nickolls gained 3 to 68p in response to the interim results.

Oils edge higher

Despite the prevailing quiet conditions, scattered demand in a thin market pushed the oil leaders to higher levels. British Petroleum closed at the day's best with a rise of 12 at 954p, while Shell put on 8 to 595p. Still reflecting dollar premium influences, Royal Dutch advanced 1½ more to £41½.

The chairman's profits warning continued to have an adverse effect on Paterson Zochonis with both the ordinary, 175p, and the A 170p, losing 5.

On the forecast of a sharply increased dividend, Hongkong (Selangor) Rubber rose 20 to 235p. Castlefield, however, disappointed with lower profits and fell back 10 to 245p.

Irish-Canadians strong

Irish-Canadians showed the most marked advances in mining markets, where the rise in the investment dollar premium made gains commonplace.

Strong Irish buying was evident as the sector had its busiest trading day this week. Diminished fears that Canadian-registered stocks would be stripped of their premium content following an Irish entry into the European Monetary System fuelled buying.

Northgate rose 45 to 460p and Westfield Minerals climbed 35 to 395p. Anglo United showed a rise of 10 to 190p and Tara were 35 higher at 725p.

There was also moderate trading among Australians. With the exception of MIM the shares came over from Sydney unchanged. MIM closed 8 higher at 193p. With the higher premium pushing up values, Pancontinental gained 50 to 775p, while Conzinc Riotinto hardened 6 to 276p. Among the lesser-priced issues, Whim Creek were 5 better at 70p.

Trading among South African Golds and Financials was, by contrast, quiet. Although the bullion price moved narrowly, closing at $196.375 for a fall of $1.25, there was little investor interest, and in dollar terms there were small falls through the list, leaving the ex-premium index down 1.8 at 92.8.

But the sterling prices were affected by the premium and the Gold Mines Index finished 2.3 higher at 127.3. St. Helena were 20 up at 684p, while Vaal Reefs gained ½ to £11½.

The same factor moved the Financials where De Beers were 340p for a gain of 10 and Anglo American were 8 harder at 296p, but both shares closed beneath their best.

Tins also moved higher, but trading was light. The main feature was Sungei Besi, after Tuesday's high interim dividend announcement, and the shares advanced 25 to 280p.

Coppers had Messina down 4 to 34p after disappointing figures which, however, had been discounted in Johannesburg. But the level of the premium prevented a sharper fall.

SE business in November

Owing to an error at source, certain figures contained in Tuesday's feature on Stock Exchange business in November were incorrect.

Turnover in ordinary shares was down by £0.14bn to £1.45bn and the average value per bargain was £294 lower at £4,438. Total turnover for the month rose by £2.46bn to £11.97bn and not £2.95bn to £12.47bn as published.

The corrected figure for the FT Turnover Index for Ordinary Shares in November is 264.7, and for the All Securities Index 366.9.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec. 5	Dec. 18	Mar. 8	Mar. 20
Dec. 19	Jan. 8	Mar. 22	Apr. 3
Jan. 9	Jan. 22	Apr. 5	Apr. 18

For rate indications see end of Share Information Service

Call options were completed in Ladbroke, Cartier Superfoods, Messina, MFI, Hongkong and Shanghai Banking, Jardine Matheson, Zetters, UDT, Burmah Oil, Dundonian, City Offices, ICL, Spillers, Rustenburg Platinum, Duple, St. Piran, Otter Exploration and Avana. A put was completed in Barker and Dobson while doubles arranged included Zetters, UDT, English Property, ICL, Chubb, and Town and City.

FINANCIAL TIMES STOCK INDICES

	Dec. 6	Dec. 5	Dec. 4	Dec. 1	Nov. 30	Nov. 29	A year ago
Government Secs.	68.83	68.86	68.72	68.56	68.50	68.53	78.08
Fixed Interest	70.23	70.08	70.01	69.97	69.98	69.98	77.86
Industrial	491.8	488.2	489.9	486.3	481.5	480.0	485.5
Gold Mines	127.3	125.0	124.7	124.8	124.3	124.1	145.3
Gold Mines (Ex-$ pmt.)	92.8	94.6	94.9	94.0	93.3	93.1	105.8
Ord. Div. Yield	5.85	5.90	5.89	5.93	5.98	5.90	5.55
Earnings Y'ld % (full)	15.36	15.49	15.45	15.53	15.71	15.49	16.72
P/E Ratio (net) (*)	8.42	8.34	8.36	8.31	8.22	8.34	8.48
Dealings marked	4,575	4,328	4,642	3,218	4,234	4,081	4,478
Equity turnover £m	—	70.75	80.62	57.39	62.69	65.35	87.68
Equity bargains total	—	16,313	15,106	12,487	13,632	16,033	13,617

10 am 485.9. 11 am 491.6. Noon 492.3. 1 pm 491.6. 2 pm 491.5. 3 pm 491.5.

Latest Index 01-236 8026.

*Nil=8.17.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ pm. Index started June 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	67.92 (10/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	69.30 (13/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	124.1 (29/11)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm.)	132.3 (14/8)	90.5 (16/6)	337.1 (3/4/74)	54.3 (26/6/76)

S.E. ACTIVITY

	Dec. 6	Dec. 5
—Daily		
Gilt Edged	144.1	178.7
Industrials	153.5	143.8
Speculative	23.3	22.9
Totals	99.6	98.5
5-day Average		
Gilt-Edged	155.0	152.1
Industrials	148.7	139.9
Speculative	24.3	25.9
Totals	94.7	93.5

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Beecham "New"	Nil/pd.	15	66pm	+11	68pm	28pm
BP	£1	12	954	+12	954	720
Pilkington	£1	12	315	+9	328	211
Shell Transport	25p	12	593	+8	602	454
Barclays Bank	£1	11	370	−2	372	295
Marks & Spencer	25p	10	88	+1	94	67
BATs Defd.	25p	9	257	+2	304	227
ICI	£1	9	380	+2	421	328
Courtaulds	25p	7	123	+1	131	109
Harris Queensway	10p	7	173	—	175	171
Lloyds Bank	£1		280	—	297	232
GEC	25p	6	340	—	340	233
HK & Shanghai	HK$2.50	6	264	+12	280	203
Midland Bank	£1	6	368	−2	390	330
P & O Defd.	£1	6	85	+2	118	76

NEW HIGHS AND LOWS FOR 1978

The following securities quoted by the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (26)

BANKS (1)
Allen Harvey

BEERS (1)
Morland

BUILDINGS (2)
Armitage Shanks, Brownlee

CHEMICALS (1)
British Benzol

STORES (1)
MFI Furniture

ELECTRICALS (1)
A.B. Electronic

ENGINEERING (3)
Baker Perkins, Wombwell Foundry, United Wire

FOODS (1)
Clifford Dairies

HOTELS (1)
Trust Houses Forte

INDUSTRIALS (5)
Crean (J.), Dykes (J.), Davies & Newman, Stag Furniture, Dundonian, Unitex

INSURANCE (1)
Edinb. & Genl. Inv.

MOTORS (1)
E.R.F.

PROPERTY (1)
Berkeley Hambro

TRUSTS (2)
Kellock, Kellock Conv.

MINES (2)
Mincorp, Hampton Areas

NEW LOWS (2)

PAPER (1)
Inveresk Group

MINES (1)
New Wit.

TEXTILES (1)
Leigh Mills

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	11	3	[illegible]
Corpns., Dom. and Foreign Bonds	14	5	[illegible]
Industrials	426	190	[illegible]
Financial and Prop.	204	33	[illegible]
Oils	9	3	[illegible]
Plantation	5	14	[illegible]
Mines	28	5	[illegible]
Recent Issues	1	2	[illegible]
Totals	780	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
[illegible]								

RECENT ISSUES

EQUITIES

Issue Price p.	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or –	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or –
[illegible]							

"RIGHTS" OFFERS

Issue Price p.	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p.	+ or –
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

LEADERS AND LAGGARDS

The following table shows the percentage changes† which have taken place since December 30, 1977, in the principal equity sections of the FT Actuaries Share Indices. It also contains the Gold Mines Index.

Engineering Contractors	+ 24.85
Electricals	+ 23.42
Mining Finance	+ 17.11
Mechanical Engineering	+ 15.55
Capital Goods Group	+ 14.65
Wines and Spirits	+ 13.88
Electronics, Radio and TV	+ 12.71
Contracting and Construction	+ 11.43
Oils	+ 10.20
Office Equipment	+ 9.27
Chemicals	+ 8.37
Building Materials	+ 8.25
Consumer Goods (Durable) Group	+ 8.20
Newspapers and Publishing	+ 7.07
500 Share Index	+ 7.01
Property	+ 6.96
Industrial Group	+ 6.42
Overseas Traders	+ 6.32
Textiles	+ 6.25
All-Share Index	+ 5.57
Food Retailing	+ 5.32
Tobaccos	+ 4.99
Motors and Distributors	+ 4.54
Packaging and Paper	+ 4.35
Consumer Goods (Non-Durable) Group	+ 3.78
Food Manufacturing	+ 3.78
Banks	+ 3.25
Other Groups	+ 2.82
Metal and Metal Forming	+ 2.44
Entertainment and Catering	+ 2.36
Stores	+ 1.85
Investment Trusts	+ 0.67
Insurance (Life)	+ 0.51
Breweries	− 0.12
Financial Group	− 0.40
Insurance Brokers	− 2.25
Discount Houses	− 4.20
Toys and Games	− 5.13
Merchant Banks	− 5.79
Pharmaceutical Products	− 6.08
Household Goods	− 6.10
Gold Mines FT	− 6.16
Insurance (Composite)	− 7.31
Hire Purchase	− 10.25
Shipping	− 11.88

† Percentage changes based on Tuesday, December 5, 1978 indices.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Wed., Dec. 6, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Tues., Dec. 5 Index No.	Mon., Dec. 4 Index No.	Fri., Dec. 1 Index No.	Thurs., Nov. 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	240.37	+0.3	16.35	5.25	8.38	239.56	238.81	236.66	234.31	204.48
2	Building Materials (27)	210.40	+1.3	17.13	5.42	8.08	207.70	208.19	204.24	201.55	186.35
3	Contracting, Construction (28)	381.89	+0.7	19.52	4.25	7.35	379.08	378.18	373.82	372.85	326.75
4	Electricals (15)	563.31	−0.4	12.83	3.28	10.70	565.53	558.21	551.61	543.21	443.39
5	Engineering Contractors (14)	372.17	+0.1	17.52	5.79	7.77	371.73	372.06	371.55	372.59	287.42
6	Mechanical Engineering (72)	186.78	+0.4	18.06	5.98	7.39	185.95	186.38	185.57	183.28	160.67
8	Metals and Metal Forming (16)	164.99	+0.2	16.56	8.66	8.39	164.62	164.33	164.16	164.36	156.66
11	CONSUMER GOODS (DURABLE) (53)	210.77	+0.6	16.71	5.08	7.98	209.47	209.27	207.58	206.27	193.80
12	Lt. Electronics, Radio, TV (16)	262.90	+0.4	14.18	3.91	9.89	261.84	261.07	257.68	256.25	232.87
13	Household Goods (12)	170.91	−0.3	17.67	6.66	7.77	171.49	171.49	171.61	172.48	179.65
14	Motors and Distributors (25)	124.32	+1.2	20.87	6.77	6.01	122.83	123.11	122.57	121.68	117.94
21	CONSUMER GOODS (NON-DURABLE) (171)	212.65	+0.5	15.72	5.92	8.56	211.49	212.05	209.64	208.54	200.91
22	Breweries (14)	231.99	+0.9	14.63	6.15	9.52	229.98	229.19	227.35	226.33	236.37
23	Wines and Spirits (6)	289.98	+0.6	15.19	4.96	9.66	288.51	288.66	286.34	286.76	246.77
24	Entertainment, Catering (17)	269.73	+0.8	13.74	6.52	10.61	267.52	268.05	265.58	264.02	248.54
25	Food Manufacturing (19)	209.31	+0.3	18.04	5.34	7.38	208.68	207.74	206.14	205.38	198.90
26	Food Retailing (15)	228.86	+1.0	13.63	5.17	10.26	226.69	226.40	225.18	223.19	205.28
32	Newspapers, Publishing (12)	375.56	+1.2	21.42	6.47	6.59	370.99	369.56	370.48	368.22	329.92
33	Packaging and Paper (15)	134.43	−0.9	19.76	7.71	6.60	135.63	135.94	134.47	135.13	125.89
34	Stores (40)	198.06	+0.3	11.63	4.79	12.37	197.59	199.00	195.05	194.66	193.38
35	Textiles (24)	182.43	+0.4	17.53	7.59	7.37	181.75	181.45	179.66	178.29	168.86
36	Tobaccos (3)	241.74	+1.4	22.95	7.77	5.15	238.28	241.25	239.27	236.69	227.64
37	Toys and Games (6)	95.97	+0.4	23.00	6.74	5.13	95.62	96.15	96.15	96.14	107.90
41	OTHER GROUPS (99)	200.06	+0.4	15.58	6.18	8.28	199.25	199.16	197.45	196.38	192.18
42	Chemicals (19)	284.65	+0.3	16.07	6.64	8.09	282.68	283.39	279.86	278.58	263.42
43	Pharmaceutical Products (7)	248.37	+1.0	11.17	4.68	10.84	245.96	246.56	245.53	243.74	[illegible]
44	Office Equipment (6)	135.65	+0.5	17.91	5.62	6.66	134.99	133.85	132.96	131.20	121.18
45	Shipping (10)	419.09	+1.0	14.43	7.25	8.79	414.90	416.58	410.99	405.92	461.43
46	Miscellaneous (57)	215.32	—	17.57	6.55	7.55	215.40	215.18	213.67	212.95	199.20
49	INDUSTRIAL GROUP (495)	223.18	+0.5	15.92	5.75	8.39	222.15	222.12	219.98	218.53	205.97
51	Oils (5)	533.26	+1.3	13.10	3.77	8.26	526.45	526.03	526.28	519.62	486.24
59	500 SHARE INDEX	248.80	+0.6	15.48	5.44	8.38	247.34	247.33	245.28	243.43	229.36
61	FINANCIAL GROUP (100)	172.27	+0.3	—	5.67	—	171.78	170.90	168.92	167.07	167.65
62	Banks (6)	201.59	−0.4	23.16	5.82	6.49	202.42	200.43	198.24	193.59	196.54
63	Discount Houses (10)	216.07	+0.4	—	8.14	—	215.26	215.26	215.02	216.71	204.68
64	Hire Purchase (5)	153.40	+2.9	15.88	5.37	8.31	149.07	148.44	146.71	147.63	163.37
65	Insurance (Life) (10)	142.37	+0.9	—	6.60	—	141.10	139.83	137.55	136.73	134.10
66	Insurance (Composite) (7)	128.24	+0.6	—	6.84	—	127.52	127.40	124.96	123.78	131.87
67	Insurance Brokers (10)	327.99	+0.2	14.58	5.10	9.79	327.34	326.32	324.67	322.38	335.88
68	Merchant Banks (14)	77.89	+0.4	—	6.29	—	77.60	77.55	77.44	77.41	83.88
69	Property (31)	263.33	+0.6	3.54	2.89	47.07	261.74	261.60	259.97	258.90	228.34
70	Miscellaneous (7)	110.95	+0.5	22.80	7.48	5.63	110.44	109.79	108.56	108.17	106.57
71	Investment Trusts (50)	211.32	+1.0	—	5.00	—	209.25	208.77	207.52	206.82	202.89
81	Mining Finance (4)	103.72	—	18.12	6.87	6.88	103.72	104.60	103.95	102.62	87.99
91	Overseas Traders (19)	299.47	+0.3	16.48	7.86	7.61	298.72	299.35	295.83	295.82	280.49
99	ALL-SHARE INDEX (673)	227.71	+0.5	—	5.53	—	226.47	226.32	224.33	222.56	215.83

FIXED INTEREST PRICE INDICES

	British Government	Wed. Dec. 6	Day's change %	xd adj. today	xd adj. 1978 to date
1	Under 5 years	103.51	+0.05	—	8.58
2	5-15 years	112.37	—	—	10.58
3	Over 15 years	117.31	—	—	12.55
4	Irredeemables	122.00	—	—	13.54
5	All stocks	110.46	+0.02	—	10.28

	FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.		Wed. Dec. 6	Tues. Dec. 5	Year ago (approx.)
1	Low Coupons	5 years / 15 years / 25 years	9.57 / 11.39 / 12.10	9.55 / 11.39 / 12.10	[illegible]
4	Medium Coupons	5 years / 15 years / 25 years	12.45 / 12.65 / 12.65	12.48 / 12.65 / 12.65	[illegible]
7	High Coupons	5 years / 15 years / 25 years	12.68 / 13.22 / 13.22	[illegible]	[illegible]
10	Irredeemables		12.61	12.60	[illegible]

		Wed. Dec. 6 Index	Wed. Dec. 6 Yield	Tuesday Dec. 5	Monday Dec. 4	Fri. Dec. 1	Thurs. Nov. 30	Wed. Nov. 29	Tues. Nov. 28	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	55.31	13.43	55.31	55.19	55.16	55.16	55.20	55.06	[illegible]
16	Investment Trust Prefs. (15)	51.16	14.55	51.16	51.16	51.16	51.16	51.16	51.26	[illegible]
17	Coml. and Indl. Prefs. (20)	71.88	13.04	71.86	71.86	71.83	71.79	71.79	71.42	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

هكذا من الأهل

هكذا من الأصل

AUTHORISED UNIT TRUSTS

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

Equity & Law	68.3	71.8	+0.6	4.28
J. Finlay Internat'l	22.8	24.5	+0.9	2.08
Accum. Units	27.1	29.1	+1.1	2.08
J. Finlay Income	36.3	39.0	+0.6	8.83
J. Finlay Euro.Fin.	26.6	28.6	+0.6	2.45
Accum. Units	31.5	33.8	+0.6	2.45
J. Finlay Fd.Ip.Tst	27.8	29.9	+0.5	4.24
Accum. Units	32.3	34.8	+0.6	4.24

Prices Dec. 6. Next dealing Dec. 13.

Do. Accum.	28.6	30.8	+0.5	4.00
Income	52.5	56.5	+0.3	6.72
Do. Accum.	61.3	65.9	+0.3	6.72
International	42.2	45.6	+1.3	3.35
Do. Accum.	45.3	48.9	+1.3	3.35
High Yield	63.1	67.9	+0.1	8.31
Do. Accum.	68.9	74.2	+0.1	8.31
Equity Exempt *	105.2	111.0	....	5.65
Do. Accum. *	105.2	111.0	....	5.65
Japan & Pacific	47.3	50.4	+1.2	0.99
Do. Accum.	47.3	50.4	+1.2	0.99

*Prices at Nov. 7. Next dealing Dec. 8.

CORAL INDEX: Close 490-495

INSURANCE BASE RATES

†Property Growth 11¼%
†Vanbrugh Guaranteed 10.75%
†Address shown under Insurance and Property Bond Table

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

International Pacific Inv. Mgmt. Ltd.
P.O. Box R237, 56, Pitt St., Sydney, Aust.

Javelin Equity Tst.	$A2.29	2.41	....	—

J.E.T. Managers (Jersey) Ltd.
P.O. Box 98, Channel House, Jersey. 0534 73673

Jersey Extrnl. Tst.	158.0	168.0	....	—

As at Nov. 30. Next sub. day Dec. 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$296.41	-0.35	2.40
Jardine J'pn.Fd.*	HK$400.90	-9.31	0.90
Jardine S.E.A.	HK$16.40	-0.27	2.10
Jardine Flem.Int.	HK$11.63	-0.10	—
Intl.Pac.Secs.(Inc.)	HK$13.31	-0.87	—
Do. (Accum.)	HK$13.44	-0.99	—

NAV Nov. 30. *Equivalent $US83.32. Next sub Dec. 15.

Net assets Dec. 4.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

Cnv. Bd. Dec. 5	$US9.39		—	—
Eng. Int. Dec. 5	$US17.67		+0.08	—
Gr. St. $Fd. Nov. 30	$US7.50		....	—
Merc. Ebd. Dec. 6	$US10.37	10.49	....	0.1692
Merc.MyMkt.Dec 4	£10.16	10.17	....	—

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. C1 0534 73741

CMF Ltd. Nov. 30	$US13.56	13.90	....	—
CMT Ltd. Nov. 30	£13.67	14.02	....	—
Metals Tst. Nov. 16	£12.73	13.04	....	—
TMT Nov. 9	$US9.96	10.21	....	—
TMT Ltd. Nov. 9	£9.87	10.13	....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$US14.85	+0.13	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1978 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
105½	99¼	Treasury 11½pc '79‡‡	99½		11.51	11.61
97	94¾	Treasury 3pc '79‡‡	95½		3.15	9.43
97⅞	95⅛	Electric 4¼pc '74-79	96¼		4.42	9.16
104½	98½	Treasury 10½pc '79‡‡	99⅜		10.57	11.27
96½	94¾	Electric 3½pc '76-79	95¼	+⅛	3.64	7.70
103⅛	96⅞	Treasury 9pc 1980‡‡	97⅛		9.27	11.54
102⅜	96½	Treasury 9½pc '80‡‡	97⅜	–⅛	9.76	11.59
95½	92⅞	Treasury 3½pc '77-80	94⅞xd		3.69	7.12
96½	93⅛	Funding 5¼pc '78-80‡‡	95½xd	–⅛	5.50	8.48
110¼	100⅝	Exchequer 13pc 1980‡‡	101⅝	+⅛	12.78	11.97
106¼	97⅝	Treasury 11½pc 1981‡‡	98⅜		11.64	12.10
91⅞	88¼	Treasury 3½pc 1979-81	88⅞		3.96	9.13
101¾	94⅜	Treasury 9¾pc 1981‡‡	95⅜		10.21	12.01
97⅜	91⅝	Exch 8¼pc 1981	92½xd		8.92	11.88
100¾	92¾	Exch. 9½pc 1981	93⅜	+⅛	10.11	12.22
87⅜	85½	Exch. 3pc 1981	85½	–⅛	3.51	9.16
97⅛	95⅞	Treas. Variable '81‡‡	96⅝		12.48	13.47
111	100	Exch 12¾pc 1981‡‡	101⅜	+⅛	12.58	12.20
99⅛	89¾	Treas. 8½pc '80-82‡‡	91⅜	+⅛	9.32	11.95
85⅞	82⅞	Treasury 3pc '82‡‡	83¾		3.58	8.95
115½	103⅛	Treasury 14pc '82‡‡	104⅝	+⅛	13.88	12.28
96½	94	Treas. Variable '82‡‡	95xd		10.12	13.89
96⅞	87¾	Treasury 8¼pc '82	89xd	+⅛	9.27	12.16
100¼	89⅛	Exch. 9¼pc 1982	90⅜	+⅛	10.21	12.42
96⅛	87⅛	Exch. 8¾pc 1983	88¾xd	+⅛	9.86	12.36
85¼	79⅜	Exch 3pc '83	80⅛		3.74	8.73
114¼	97⅝	Treasury 12pc 1983‡‡	98¾	+⅛	12.15	12.37
100⅛	87⅝	Treasury 9¼pc '83	88⅞	+⅛	10.42	10.52
		Five to Fifteen Years				
95⅛	88	Exch 10pc 1983	90½xd		11.08	12.69
89⅝	80¾	Funding 5½pc '82-84‡‡	82⅝		6.84	10.53
97⅞	97⅛	Exch. 12¼pc 1985	97⅝		12.65	12.94

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	23½		—	—
41	33	Do 5pc Pref.	39xd	..	—	—
98	98	Chilean Mixed	98	..	—	13.10
415	350	German Yng 4½pc	411		4½	—
54	46	Greek 7pc Ass.	50	..	3½	17.20
51	46	Do 6pc 28 Stab Ass	49		6	16.24
44	40	Do 4pc Mixed Ass.	40		4	15.13

BONDS & RAILS—Cont.

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's	P/E
142	96	Grindlays	130	+1	2.79	7.1	3.2	4.6
130	93	Guinness Peat	116	..	h5.15	—	6.6	—
217	155	Hambros	165xd	–2	†9.76	—	8.8	—
100	81	Hill Samuel	88	+1	†4.97	—	8.4	—
600	187	Do. Warrants	200		—	—	—	—
360	203	Hong Shng.$2.50	264	+12	h0.59	—	2.6	—
69	52	Jessel Toynbee	62	.	h3.32	—	8.0	—
215	150	Joseph (Leo) £1	155xd		8.74	—	8.4	—
55	37	Keyser Ullmann	47	–1	0.67	—	2.1	—
74	56	King & Shax 20p	65		3.44	—	8.0	—
114	88	Kleinwort B.L.	92		†4.18	—	6.8	—
297	242	Lloyds £1	280	.	†9.23	4.8	4.9	6.3

BANKS & HP—Continued

Hire Purchase, etc.

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OILS

OVERSEAS TRADERS

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
78	55	Lonrho	62	......	6.65	2.5	16.0	(3.1)
49	40½	Mitchell Cotts	44	......	3.45	1.7	11.7	(6.1)
275	208	Nigerian Elec. £1	210	......	13.40	0.8	9.5	(22)
107	65	Ocean Wlsns. 20p	78	......	2.92	2.9	5.7	6.9
235	165	Pat'son. Zoch. 10p	175	−5	8.0	6.9	6.8	3.2
225	160	Do. 'A' N/V 10p	170	−5	8.0	6.9	7.0	3.1
54	27	Sanger (J.E.) 10p	39	−1	‡‡0.08	—	‡	—
9½	4½	Sena Sugar 50p	5ø	......	B—	—	—	—
132	43	ΔSime Darby 10p	97	+4	¤03.0	2.4	3.1	24.2
250	175	Steel Bros.	190	......	†6.5	4.4	5.2	6.4
51	40	Tozer Kems. 20p	52	−1	†3.15	2.7	9.0	(4.9)
£100	£87	Do. 8pc Cnv. '81	£92	......	Q8%	18.0	f9.0	—
73	41	U. City Merc. 10p	51	+1	0.84	7.1	2.5	8.5
72	41	Do. 10pc Ln. 10p	51	+1	Q10%	30.6	f3.6	—

RUBBERS AND SISALS

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
104	75	Anglo-Indones'n	92	+1	2.79	4.7	4.5
127	65	Bertam Cons. 10p	101	−2	3.55	1.7	5.2
17	11½	Bird (Africa)	17	......	—	—	—
65	31	Bradwall 10p	57	−1	♦1.73	1.0	4.5
305	165	Castlefield 10p	245	−10	3.35	ϕ	2.1
57	26	Chersonese 10p	47	−1	♦h1.4	1.2	4.4
52	23¼	Cons. Plants 10p	38	......	Q3.0	1.1	7.9
22¼	8½	Grand Central 10p	11	......	d0.6	0.3	7.8
400	211	Guthrie £1	325	−2	15.23	1.6	7.0
129	65	Harrisons Mly. Est. 10p	101	−2	d4.0	1.3	6.1
135	56½	Highlands M50c	108	+5	Q25c	1.2	5.0
89	41½	Kuala Kepong M$1	67	+1	Q12½c	1.5	4.0
59½	29	††Kulim M50c	46	+1½	Q11.5c	0.8	5.5
197	69	Ldn. Sumatra 10p	188	......	M6.0	1.1	4.8
83	36	Malakoff M$1	61½xd	−½	hQ15c	1.9	5.6
63	30½	Muar River 10p	60	−2	♦0.48	3.9	1.2
61	55	Plantation Hldgs. 10p	65	+1	♦¢2.21	2.0	5.1
127	103	Rightwise 10p	118	......	—	—	—
93	37	Sungei Krian 10p	85	−3	♦h1.52	1.9	2.7

TEAS

India and Bangladesh

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
265	175	Assam Doocars £1	253	−2	♦9.65	5.9	5.7
385	260	Assam Frontier £1	260	−5	10.15	4.4	5.8
123	90	Assam Invs. £1	97	+1	7.11	3.7	11.7
30½	20½	Empire Plants 10p	24½	......	♦2.01	1.6	12.2
350	325	Lawrie Plants £1	335	+1	b15	—	6.7
245	180	McLeod Russel £1	217	−5	13.5	2.6	9.3
420	330	Moran £1	330	−5	15.0	1.2	6.8
29½	22	Singlo Hldgs. 10p	26	......	♦F1.75	3.2	10.4
130	90	Warren Plants	117	−3	♦h7.44	4.9	4.5
183	138	Williamson £1	153	−2	12.5	4.2	12.2

Sri Lanka

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
225	123	Lunuva £1	225	......	5.58	1.5	3.7

Africa

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
620	390	Blantyre £1	595	......	‡50.76	ϕ	‡
595	130	Ruo Estates	140	......	‡13.2	2.4	‡

MINES

CENTRAL RAND

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
442	140	Durban Deep R1	274	+2	—	—	—
420	244	East Rand Prp. R1	260	+1	—	—	—
£42	£26¼	Randfont'n Est. R2	£26½	+¼	†Q350c	2.5	7.9
178	78½	West Rand R1	91	+2½	†Q13c	6.7	8.5

EASTERN RAND

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
206	57½	Bracken 90c	63	−1	Q44c	ϕ	41.7
37	18	East Dagga R1	23	......	†Q20c	1.2	51.9
416	235	E.R.G.O. R0.50	286	+8	FQ50c	—	10.4
152	76	Grootvlei 30c	88	+3	†Q19c	1.8	15.8
444	231	Kinross R1	242	+7	Q55c	ϕ	13.6
75	35	Leslie 65c	38	......	Q21c	ϕ	33.0
105	52	Marievale R0.25	86	+3	†Q46c	1.0	41.0
73½	37	S. African Ld. 35c	52	+2	—	—	—
56½	31	Vlakfontein 90c	43	+1	Q25c	0.4	34.7
865	517	Winkelhaak R1	555	+10	Q129c	ϕ	13.9
63	28½	Wit. Nigel 25c	30	......	—	—	—

FAR WEST RAND

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
445	250	Blyvoor 25	263	+4	Q63c	1.6	15.1
£11¼	701	Buffels	719	+4	Q170c	1.8	14.0
108	66	Deelkraal R0.20	84	+1	—	—	—
401	202	Doornfontein R1	214	+3	Q50c	2.3	14.6
920	578	East Drie R1	583	+4	†Q78c	1.7	8.7
280	163	Elandsrand Gld. 20c	200	+3	—	—	—
153	67	Elsburg R1	72	+1	†Q8.45c	1.0	7.0
£16	890	Hartebeest R1	£11	+½	Q250c	1.6	13.6
657	408	Kloof Gold R1	446	+7	Q40c	2.6	5.6
652	390	Libanon R1	404	+9	Q100c	2.0	15.5
614	390	Southvaal 50c	400	+5	Q21c	1.0	3.1
330	206	Stilfontein 50c	260	+1	†Q22c	2.3	5.1
£17⅞	£11	Vaal Reefs 50c	£11½	+¼	†Q115c	3.3	6.0
289	123	Venterspost R1	133	+4	Q25c	2.7	11.8
£29½	£16⅝	W. Drie R1	£19⅛	+⅜	Q385c	1.7	12.7
241	116	Western Areas R1	123	+3	†Q13c	2.7	6.3
970	559	Western Deep R2	675	+11	†Q82.5c	2.4	7.3
268	163	Zandpan R1	190	+3	Q41.5c	ϕ	13.0

O.F.S.

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
110	75	Free State Dev. 50c	85	......	Q12c	2.0	8.4
£20⅞	£11½	F.S. Geduld 50c	£12⅛	+⅛	Q315c	ϕ	15.6
121	58½	F.S. Saaiplaas R1	59	+½	—	—	—
456	256	Harmony 50c	267	+5	†Q55c	2.0	12.3
134	56	Loraine R1	58	+1	—	—	—
£11⅝	667	Pres. Brand 50c	728	+22	Q150c	ϕ	12.3
£10⅝	565	Pres. Steyn 50c	597	+18	Q80c	ϕ	8.0
£10¾	616	St. Helena R1	684	+20	Q190c	ϕ	16.6
249	144	Unisel	182	+2	—	—	—
374	190	Welkom 50c	218	+4	Q65c	ϕ	17.8
£24⅞	£13⅛	W. Holdings 50c	£14¼	+¼	Q415c	ϕ	17.4

FINANCE

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
755	424	Ang. Am. Coal 50c	550	−5	Q60c	3.4	6.5
378	246	Anglo Amer. 10c	296	+8	†Q36.2c	2.0	7.4
£20¾	£13⅝	Ang. Am. Gold R1	£13½	+⅛	†Q165c	1.1	7.3
950	621	Ang-Vaal 50c	725	......	Q115c	3.3	9.5
172	119	Charter Cons.	132xd	......	8.43	2.4	9.5
204	163	Cons. Gold Fields	180	......	9.19	2.8	7.6
25	16½	East Rand Con. 10p	16¾	......	1.07	1.3	9.5
£20⅝	£14	Gen. Mining R2	£16	......	†Q225c	2.1	8.4
£16⅝	£10¼	Gold Fields S.A. 25c	£11	+⅛	Q135c	1.9	7.4
£18	£10	Jo'burg Cons. R2	£12¾	+⅜	Q170c	3.6	8.0
235	138	Middle Wit 25c	145	+1	Q25c	1.5	10.3
65	22	Mincorp 12½p	65	+2	1.5	ϕ	3.5
207	126	Minorco $BD1.40	146xd	......	Q12c	1.5	4.2
158	91	New Wit 50c	91	−1	Q16c	1.3	11.4
£12¾	860	Patino NV Fls 5	£12⅛	+⅛	QC50c	ϕ	2.4
49	38	Rand London 15c	38	......	110c	3.0	15.7
518	375	Selection Trust	438xd	......	18.95	1.9	6.5
237	158	Sentrust 10c	168	+5	†Q30c	1.5	11.0
59	29	Silvermines 2½p	36	......	‡2.54	1.7	‡
189	122	Tanks Con. 50p	170	......	Q10.0	1.2	5.9
93	78	Do. Pref. 80p	92	......	Q9%	16.3	7.8
£15	£10¼	T'vaal Cons. Ld. R1	£10¼xd	......	Q110c	3.3	6.4
278	182	U.C. Invest R1	190	......	†Q30c	1.2	9.4
340	238	Union Corpn. 6.25c	248	+3	†Q38c	1.6	9.2
73	40	Vogels 2½c	58	......	†Q7½c	1.0	7.7

DIAMOND AND PLATINUM

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
£49	£30	Anglo-Am. Inv. 50c	£35	+¼	Q600c	1.1	10.2
488	285	De Beers Df. 5c	346	+10	†Q52.5c	3.3	9.1
£11¾	925	Do. 40pc Pf. R5	950	......	Q200c	3½.6	12.6
230	128	Impala Plat. 20c	177xd	+3	Q18.4c	3.2	6.2
83	54	Lydenburg 12½c	65	+2	Q6.6c	ϕ	6.2
117	70	Rus. Plat. 10c	90	+2	Q8c	2.7	5.3

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
210	145	Falcon Rh. 50c	145	......	Q60c	ϕ	25.1
24	14	Rhod'n Corp. 16½p	14	......	0.57	7.1	6.2
80	52	Roan Cons. K4	72	......	—	—	—
41	29	Wankie Col. Rh 1	29	......	Q9c	1.9	22.6
17½	10	Zam. Cpr. SBD0.24	12	......	—	—	—

MINES—Continued

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
15	9	Acmex 25c	10	......	—	—	—
140	64	Bougainville 50 Toea	122	+6	†Q6c	1.4	4.1
131	63	BH South 50c	108	+2	—	—	—
820	150	Central Pacific	430	+30	—	—	—
336	148	Conzinc Riotinto 50c	276	+6	‡Q10c	2.2	‡
27	9½	Endeavour 20c	16	......	—	—	—
75	45	G.M. Kalgoorlie $1	46	......	—	—	—
68	18	Hampton Gold N.L.	33	......	—	—	—
154	81	Hampton Areas 5p	154	+4	♦3.55	2.0	3.4
40	10	Metals Ex. 50c	27	......	—	—	—
223	125	M.I.M. Hldgs. 50c	193	+8	Q9c	1.7	2.9
22	10	Minefields Expl.	15	......	—	—	—
40	10	Mount Lyell 25c	26	......	—	—	—
7	1½	Newmetal 10c	4½	......	—	—	—
143	79	North B. Hill 50c	102	+2	Q8c	1.3	4.8
16½	8½	Nth. Kalgurli	11	−½	—	—	—
50	12	Nth. West Mining	26	......	—	—	—
178	115	Oakbridge $A1	124	+5	Q12c	1.9	11.2
42	10	††Otter N.L.	24	......	—	—	—
70	30	Pacific Copper	55	......	—	—	—
£15½	725	Pancont'l 25c	775	+50	—	—	—
40	12	Paringa M&Ex. 5p	18½	+1	—	—	—
570	310	Peko-Wallsend 50c	422	+4	Q15c	ϕ	2.2
300	50	Southern Pacific	165	+5	—	—	—
164	84	Westn. Mining 50c	122	+2	Q3c	0.7	1.5
100	35	Whim Creek 20c	70	+5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	24	......	2.81	1.3	17.4
420	240	Ayer Hitam $M1	315	+5	Q300c	0.5	20.5
60	45	Beralt Tin	55	......	t4.0	4.4	11.4
305	190	Berjuntai $M1	210	......	Q110c	1.0	11.3
185	111	Geevor	165	......	5.04	5.8	4.6
11	8½	Gold & Base 12½p	10	......	—	—	—
350	220	Gopeng Cons.	300	......	†15.36	0.9	7.6
310	130	Hongkong	310	......	12.5	ϕ	6.0
93	78	Idris 10p	78	......	‡12.0	1.6	‡
11	7	Jantar 12½p	9½	......	—	—	—
84	64	Kamunting $M0.50	65	+1	†Q12.5c	2.1	4.2
640	450	Killinghall	640	......	Q128.36	ϕ	22.9
470	280	Malay Dredging $M1	375xd	+5	Q175c	0.7	10.0
78	40	ΔPahang	45	+2	Q0.62c	ϕ	0.3
78	50	Pengkalen 10p	65	......	6.60	1.3	15.2
270	165	Petaling $M1	225	+5	Q120c	ϕ	12.1
87	49	Saint Piran	83	......	2.03	6.5	3.6
70	47	South Crofty 10p	64	......	4.19	2.0	9.8
245	240	South Kinta $M0.50	185	......	sQ245c	0.6	16.8
340	230	Sthn Malayan $M1	290xd	+5	Q190c	1.0	14.1
240	134	Sungei Besi $M1	230	+25	m065c	5.3	6.7
95	55	Supreme Corp. $M1	72	+4	Z010c	—	3.0
100	84	Tanjong 15p	98	......	6.60	0.8	10.0
100	74	Tongkah Hrbr. $M1	82	......	Q35.82%	0.7	9.8
270	148	Tronoh $M1	205	+10	‡Q88c	1.6	‡

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
104	54	Messina R0.50	54	−4	—	—	—

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
68	35	Barymin	54	......	—	—	—
17	9	Burma Mines 17½p	13	......	—	—	—
300	180	Cons. Murch. 10c	180	......	‡Q30c	2.6	‡
465	245	Northgate C$1	460	+45	—	—	—
263	164	R.T.Z.	228	......	9.5	2.8	6.0
90	30	Sabina Inds. C$1	45	+1	—	—	—
£12	687	Tara Expln. $1	725	+38	—	—	—
185	120	Yukon Cons. C$1	136	+2	Q7c	2.9	2.5

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
$15¼	$10⅞	Buffels R1	$10¼	−⅛	Q170c	1.8	19.1
$11⅜	830c	East Drie R1	830c	−20	†Q78c	1.7	10.8
585c	330c	East Rand Prp. R1	370c	−10	—	—	—
$28⅜	$16½	F.S. Geduld 50c	$17¼	−⅛	Q315c	ϕ	21.1
$15⅛	975c	Pres. Brand 50c	£10⅛	......	Q150c	ϕ	16.7
$13¾	900c	St. Helena R1	975c	......	Q190c	ϕ	22.5
465c	315c	Stilfontein 50c	370c	−10	†Q22c	2.3	6.9
$17⅞	$16¼	Vaal Reefs 50c	$16¼	−¼	Q115c	3.3	8.2
$37	$25	West Drie R1	$27¼	−¼	Q385c	1.7	16.3
$31¼	$19	West Hldgs. 50c	$20¼	−¼	Q415c	ϕ	23.7
$12½	895c	Western Deep R2	962c	−13	Q82.5c	2.4	9.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- π No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	26	......
Ash Spinning	67xd	......
Bertam	15	......
Bdg'wtr. Est. 50p	323	......
Clover Croft	28	......
Craig & Rose £1	615	......
Dyson (R. A.) A	35	......
Ellis & McHdy	64	......
Evered	25	+1
Fife Forge	52	......
Finlay Pkg. 5p	21	......
Graig Ship. £1	140	......
Higsons Brew	74xd	......
Holt (Jos.) 25p	252	......
I.O.M. Stm. £1	187	+2
N'thn. Goldsmith	70xd	......
Pearce (C. H.)	190	......
Peel Mills	21	......
Sheffield Brick	55	......
Sheff. Refrshmt.	67xd	......
Sindall (Wm.)	117	......

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£89⅝	−⅛
Alliance Gas	103	......
Arnott	352	......
Carroll (P.J.)	94	−4
Clondalkin	98	......
Concrete Prods.	130	......
Heiton (Hldgs.)	42	−4
Ins. Corp.	160	......
Irish Ropes	105	......
Jacob	52	+2
T.M.G.	190	+5
Unidare	80	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	4	Intreuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mrks. & Spncr	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West. Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	14
Guardian	18	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	22	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Thursday December 7 1978

UK external account surplus improves sharply

BY MICHAEL BLANDEN

BRITAIN'S external account, taking current and capital movements together, improved sharply in the third quarter of this year.

The main reason for the performance was the turn-round in confidence in the pound, reflecting particularly the weakness of the dollar.

The combined surplus in the period from July to September was £210m. This compared with a deficit of nearly £1.5bn in the previous three months and with a surplus of £173m in the first quarter of the year.

The change reflected primarily a deterioration in the current account from a surplus of £213m to a deficit of £3m, before seasonal adjustments, resulting *from an increase in the visible* trade deficit.

It also reflected a sharp turnround in the capital account to a *surplus of £213m after a* deficit of £1.7bn in the previous quarter.

Favourable revisions to the figures, however, have produced *a total current account surplus* for last year of £406m, compared with the previous estimate of £288m.

The third-quarter balance of payments figures, published in detail by the Central Statistical Office, show that the deficit on visible trade increased by £160m to £342m.

The balance of the erratic trade in ships, North Sea production installations, aircraft and precious stones shifted against the UK by £200m between the two quarters. And there was a deterioration of nearly £120m in *the balance of trade in oil.*

These adverse movements were partially offset by an improvement of nearly £160m in the balance of trade in other goods.

Overall, the value of imports increased by £488m between the two latest quarters, with a rise in volume terms of 5.5 per cent, while exports were up by £328m and by only 2.5 per cent in volume.

The surplus on invisible trade is estimated at £316m, much the same as in the previous quarter. *This figure was achieved in spite* of an erratic increase of £75m between the two periods in net Government transfers, mainly reflecting unusually high contributions to the European Communities, and was substantially better than previous projections.

The surplus on services recovered somewhat from the relatively low level of the second quarter, to £651m, but remained well below the levels reached in the second half of last year.

Within the services sector, the earnings from travel and tourism are provisionally estimated at £560m, up by £12m over the second quarter. This continued the trend of recent quarters to a levelling off in earnings after the earlier sharp rises.

While the number of visitors to the UK has not increased as rapidly as previously, the number *of UK residents travelling abroad* is thought to have risen sharply and their expenditure is estimated to have increased by £54m *to £397m. This left a net surplus* on the travel account of £163m, well below the levels achieved last year.

Earnings from financial services rose from £322m to £349m, with the largest gain of £25m recorded by commodity earnings. During the first three-quarters of 1978 total earnings from financial services were 8 per cent higher than in the corresponding period of last year, said the Central Statistical Office.

The major change between the two quarters was in the capital account. This reflected partly the stability of sterling since April, bringing some inflow into the UK. The major factor, however, was the operations of UK banks in the Eurocurrency market.

In the UK Eurocurrency market there was a net inflow of £328m, reflecting an increase in UK banks' net borrowing abroad in foreign currencies. Almost half of this was used to finance overseas investment by UK companies.

The rise was in sharp contrast to the second quarter when there was a heavy net outflow of about £1bn.

At the same time, there was an increase of £164m in sterling balances, with official holdings little changed but with a £159m rise in other sterling balances.

Tables Page 6

Bread price to go up by 1p

By Philip Bassett and David Churchill

THE PRICE of a standard loaf of bread is to go up by 1p in most shops from next Monday. The increase was announced last night by Ranks Hovis McDougall and is almost certain to be followed by the other major baker, Associated British Foods.

The price rise follows the Price Commission's decision yesterday not to investigate the 1p increase sought by both Ranks and Associated British Foods.

The Commission's decision came as unions and employers were making progress in talks on the bakery workers' strike, now in its fifth week. These talks will resume today.

The decision not to investigate the price rise was taken by the Commission on the grounds that *both companies were already* badly hit by the bread strike.

Between them, Ranks and ABF are estimated to be losing about *£2m a week, even though production* is about three-quarters of normal.

On Tuesday, Ranks announced *that pre-tax profits had fallen by* almost 15 per cent—despite increased sales of nearly 11 per cent—mainly as a result of problems in the industry *before* the strike began.

It is understood that the Commission will tell both companies that it will closely scrutinise any attempts, after the strike ends, to pass on in higher prices a large wage settlement.

Mr. Roy Hattersley, Prices Secretary, is expected to lay an Order before Parliament allowing *the maximum retail price* for a standard loaf to be raised by 1p to 29½p.

Most major supermarkets, however, are *still selling* bread at 24p or 25p because of the extra discounts they have negotiated with the manufacturers.

The independent bakers charge between 31p and 32p for their bread, which is not of standard size, and they have agreed to freeze prices during the current dispute in spite of increased demand.

Bakery employers and union officials yesterday made progress towards a settlement on the broad strike in talks held with the Advisory, Conciliation and Arbitration Service. ACAS officials said yesterday that they had taken the initiative and *called in both sides.*

The talks, which will be resumed today, centred on the 6 per cent productivity element of *the employers' current* 11 per cent offer. The Bakers, Food and Allied Workers' Union has claimed rises of 26 per cent.

The productivity proposals, which include conditions on stricter time-keeping and shift changes, mobility of labour, adherence to grievance procedure, changes in the length of the working day, and some agreed permanent night work, were the central issue on which the only other talks during the strike foundered.

The effectiveness of the strike has weakened in the past few weeks as some workers returned to their jobs and shoppers found panic buying unnecessary.

THE LEX COLUMN

When Irish gilts aren't shining

Index rose 3.6 to 491.8

The unexpected outcome of the Brussels summit left scarcely a ripple upon the *foreign exchange markets* yesterday. The major currencies had barely moved against one another when dealing closed in Europe last night. Clearly the market is reckoning that the French franc will not have too *many early problems* in staying in touch with the Deutschemark (though opinion could well be different after six months) while sterling is now *in* a position to benefit in relative terms from a higher oil price. A key factor is the apparent undertaking of the British Government to maintain sterling within 2¼ per cent either side of its trade-weighted index level, currently 62.7.

This undertaking adds little in practice to the known commitment of the *Government to* a stable exchange rate. However, it helped to boost confidence in the gilt-edged market, where the Government broker supplied his medium tap—perhaps to the tune of around *£100m. Other reactions* to the Brussels outturn were predictable: Irish gilts came under pressure in Dublin, while the investment currency premium continued the advance which had begun late on Tuesday afternoon.

Pilkington

Pilkington had been expected to produce good first-half results, but the 47 per cent rise in *pre-tax* profit to £43.4m was an agreeable surprise. The group's investment in float glass plant overseas is now bearing fruit as Scandinavia and South Africa move into profit. At the trading profit level, overseas margins *have risen to 8.8 per cent from* the 6.8 per cent of the previous 12 months, and licensing royalties have held up well despite the strength of sterling.

The improvement outside the UK is especially timely considering the uncertain outlook for the British motor and construction industries. At home, *Pilkington, like BPB Industries,* has seen heavy demand from the home improvement sector, particularly in insulation and double glazing. This demand has remained at unseasonally high levels *this summer, and* this, taken with the difficulty of the market in safety glass products, may explain why the group does not expect the significant rise in profits in the second half. The Ford strike may cost *a few hundred* thousand pounds.

The company's remark about *prospects suggests* that pre-tax profits for the year should be around £90m, an increase of 26 per cent; the tax charge may rise slightly in the second half. But if Pilkington's 14.6 per cent interim dividend increase in any *guide to what may happen to* the full year's payout, the prospective yield at 315p is only 3.2 per cent, which may act as something of a check on the shares. *The fully taxed p/e* is around 9 on Pilkington's conservative *replacement cost depreciation* basis.

Hanson Trust

As the dollar fell by about 12½ per cent during Hanson *Trusts's latest financial year* there has been some doubts about the group's profits. In the event pre-tax profits for 1977/78 emerge £1.7m higher at £26.1m and if the exchange rates had not moved they would have been another £1.8m ahead.

However, last year's acquisition of Interstate United Cor*poration chipped in* £2.7m at the pre-tax level. Stripping this out, U.S. profits *fell* by £4.1m and UK profits were up by £3.0m.

Profits of Hygrade, the U.S. meat processing business, have slumped from £6.3m to £3.7m. The problem has been serious industry overcapacity and high *cattle prices and so far* there is little sign of improvement in the current year. Meanwhile, profits of Hanson's original U.S. acquisition, Seacoast, slipped 12 per cent to £3.7m. This latter acquisition, which *was earning pre-tax profits* to close to £8m in 1974/75, has proved a real moneyspinner for Hanson in the past but in common with Hygrade its profitability seems to be on the decline.

Hanson's other major U.S. acquisition, Carisbrook, also seems to have been marking time. Obviously there are special factors to explain away the sluggishness of Hanson's U.S. operations recently. Nevertheless it is hard to overlook that in 1974/75 the share of Hanson's profits coming from the U.S. *amounted to* two thirds and this has now slipped to just over 50 per cent despite the integration of some major acquisitions in the intervening period. At 137p the shares sell on just under 7 times fully taxed earnings.

Small companies

Demand for finance by small companies continues to boom according to the half-year figures from Industrial and Commercial Finance Corporation, which invested £32m in loan and share capital during the six months to September against £19m in the corresponding period. It is important to note, however, that in the second half last year ICFC's outgoings had already risen to £31m, so the latest figures show the rate of investment continuing on a high plateau rather than making any further advance. The upturn reflects the general national economic recovery, but also, it seems, a certain degree of new confidence among small companies. ICFC wonders whether all the Wilson Committee publicity given to the small company sector has encouraged activity. It is pleased at the current 700 *negotiations* (two-thirds with entirely new customers) and intrigued by phenomena like the increase in the number of requests for finance for subsidiary companies to be sold to their executives. But there are now signs that the latest leap in short-term money rates is causing some potential customers to think again.

Mid-East order for Racal system

By John Lloyd

RACAL ELECTRONICS has won a £20m contract for a supply of a radio communication system to a Middle Eastern country.

The order includes the supply of transportable communication *shelters and* mobile workshops, housing radio and terminal equipment needed for a fixed communications system.

Mr. Ernest Harrison, Racal's managing director, said that the order was won against fierce international competition, and "demonstrated Racal's expertise as designers *and suppliers* of total turnkey electronics and communication systems." It is the largest order in the company's 28-year history.

The company also said yesterday that it was stepping up development of its "electronic warfare" systems even though it had earlier this year, failed to win an order for the supply of "Cingars"—a secure radio system—to the U.S. army.

Mr. Geoffrey Lomer, group *technical director, said that* the Racal system, which would incorporate a sophisticated jamming mechanism, would be marketed under the name of Jaguar, and would be available considerably earlier than the U.S. system.

Racal was investing heavily in electronic warfare systems, and a special group had been set up to further their development.

Chrysler Europe loss of £11m expected

BY TERRY DODSWORTH

PARIS, Dec. 6.

CHRYSLER EUROPE is expected *to make losses of at least* FFr 100m (£11.6m) this year, PSA Peugeot-Citroen, the French motor group which is on the *verge of taking over Chrysler* Corporation's European operations, said today.

Chrysler France, in particular, *generally reckoned to be the* strongest operation within the group's European operations, will run up a loss this year as well as Chrysler UK.

Peugeot-Citroen added that "however unsatisfactory they might be" the results from the three Chrysler subsidiaries in Europe—in France, the UK and Spain—would not in any way *prejudice its $430m bid.*

In the longer term, there was no reason why these companies should not achieve more satisfactory results, and move progressively towards matching the performance of the Peugeot and Citroen branches of the organisation, the statement added.

These forecasts are set out in a document sent to Peugeot-Citroen shareholders, who will have to vote on the bid before the new group can be established in early January.

The main surprise in the figures is the Chrysler France loss. No figure is given for this, but it seems that it will repre*sent a heavy turnround* from the profits of Fr47m (£5.5m) achieved in 1977.

Indeed, if Chrysler UK has managed to limit losses to between £1m-£2m, which is possible, given the first-half deficit of about £580,000, the French business must produce very disappointing results.

The document adds that Chrysler Spain will make similar profits to those in 1977, when it achieved Pta710m (£5.1m).

The main blame for the French losses is laid against the launching costs of the new Horizon model.

Special case pay application for BBC staff rejected

BY PAULINE CLARK, LABOUR STAFF

THE Home Office will tell the BBC today that it has rejected an application for 26,000 corporation staff to be made a special case under Government pay policy.

BBC management submitted the application in September because of concern over longstanding pay anomalies. It is also worried about the loss of *staff to more highly paid jobs* with independent broadcasting companies.

It is the second major blow to *the BBC within a month. In* November it was told it could raise its colour television licence fee only to £25, having asked for £30.

Pay difficulties in the BBC have mounted since the introduction of the Government's pay policy in 1975, when the corporation's 6,000 weekly paid workers received a 20 per cent pay rise while 20,000 monthly paid staff were caught by *Phase One of* incomes restrictions.

The five unions representing BBC staff were not party to the *special treatment application but* have submitted a 5 per cent plus consolidation pay claim which is now being negotiated.

The BBC said yesterday it could "not ignore the realities of pay policy" but was anxious for anomalies to be cleared up.

As a "gesture of goodwill," with pay settlements for the two groups now nearly five months overdue, the corporation has *offered all staff an advance pay*ment of 3 per cent in a lump sum backdated to the group's respective pay aniversaries in August *and October.*

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EMS

gested there might be a chance that Italy and Ireland would join.

Britain's position is clear-cut however, and the only important decision immediately remaining is whether the UK chooses to take its option of depositing 20 per cent of its gold and dollar reserves with the European Monetary Co-operation Fund against issue of a corresponding value of European Currency Units, the new unit based on a trade-weighted average of all *EEC currencies.*

Mr. Callaghan said the Chancellor would shortly consider this with the Bank of England, and indicated that the decision would take account of the possibility that intervention in EEC currencies could be helpful to Britain in maintaining stability of sterling.

Late on Tuesday Herr Schmidt told the Press that Mr. Callaghan had said that sterling would be stabilised within a margin of plus or minus 2.25 per cent against the currencies of its trading partners. *This probably* represents not so much a commitment to formal intervention margins as an undertaking to keep sterling *broadly within* its recent range.

It was stressed in London yesterday that this referred to *trading partners* throughout the world, and not merely in the EEC, and represented no change in the announced policy of keeping the pound stable.

The Prime Minister announced that the UK would participate without reservation to its share of the increase in the EEC's medium-term credit facilities up to a total of £7.75bn, linked to the establishment of the monetary system.

Britain has agreed neither to contribute nor to call on the increase now being made in short-term monetary support, more closely linked with day-to-day exchange-rate intervention.

Mr. Callaghan stressed his disappointment with the Summit's discussion on measures to strengthen the economies of less prosperous member countries, where the work was "less thoroughly prepared."

Government at risk of defeat in vote on wage sanctions

BY ELINOR GOODMAN, LOBBY STAFF

NEITHER OF the Ministers most closely associated with the Government's pay policy is to speak in today's debate on sanctions against companies that breach the wage guidelines.

Instead Mr. Roy Hattersley, *Prices Secretary, and Mr. Joel* Barnett, Chief Secretary at the Treasury, are to put the Government's case before what might *prove a very embarrassing defeat* for the Government on the technical motion to adjourn the House.

Given the importance that the Government attaches to its pay policy, it had been expected that the Chancellor and Mr. Albert Booth, Employment Secretary, would take part in the debate. When it emerged last night that they would not be speaking, some MPs interpreted it as a sign that the Government was preparing the ground for a defeat.

The feeling among some backbenchers was that a defeat would be marginally less embarrassing to the Government were the Chancellor not to put himself on the line by personally making the case for sanctions. The official argument, however, was that it had always been intended that Mr. Hattersley and Mr. Barnett should lead the Government case.

All the signs were that it would be a very close vote, with the Government possibly being defeated as a result of a backbench rebellion. The Scottish Nationalists and the Liberals are threatening to vote against pay sanctions, which means that the Government cannot afford many abstentions on its side.

Last night, however, a small group of Left-Wingers were still refusing to toe the Government line, in spite of reminders from the Whips of how seriously the Prime Minister was taking the vote.

Although the motion is not technically one of confidence, Mr. Callaghan clearly feels that his economic policies would be seriously undermined by a defeat.

Some Ministers maintain that a defeat would not prevent them from continuing to use sanctions, but others feel that if the Commons were to reject them on top of the rejection by the TUC and the Labour Party it would be difficult to continue with the present policy.

BSC to cut number of furnaces at Bilston works

BY PAULINE CLARK, LABOUR STAFF

THE British Steel Corporation told steel union leaders yesterday that it would reduce the *number of furnaces in operation* at the Bilston steel works in Staffordshire from next month.

Plans to close the furnaces *ahead of negotiations on an end* to iron-and steel-making at the plant prompted the threat of a national steel strike last summer *before they were temporarily* withdrawn.

The unions responded immediately yesterday with a statement that they would seek an early meeting with Mr. Eric Varley, Industry Secretary, to discuss the Bilston problem.

Meanwhile, the proposals will be taken back for consideration by the 2,400-strong work force, whose leaders yesterday pre*sented to the unions and to BSC* management their own plans for saving the plant.

At a formal meeting on the future of Bilston between management, the 17-man TUC steel industry committee and a delegation of representatives from the plant, the unions were told that the number of furnaces in operation would be reduced from next month.

They would be closed as they become due for repair. In practice, they means that only two of the present four open-hearth furnaces will be operating from February next year.

The corporation said consultations on the Bilston problem had continued for more than a year and it could not go on giving preferential loading to the four open-hearth furnaces at the plant.

It added that the plans to close the furnaces did "not imply a reduction in the workforce."

The corporation pointed out that following the strike threat by the Iron and Steel Trades Confederation last June, it agreed to continue loading the four furnaces until September when the next meeting on Bilston was originally scheduled with the union leaders.

Weather

UK TODAY

GENERALLY dry with sunny intervals.

London, S.E., S., East Anglia, *Midlands, N. England, S. Scotland*
Mainly dry with bright periods.

Channel Islands, W. England, Wales, Isle of Man, S.W. Scot*land, N. Ireland*
Mostly cloudy, rain in places and local gales.

E. and Central Highlands, Scottish Islands
Bright spells, rain later and strong winds.

Outlook: Cold but mostly dry.

From the London Weather Centre

BUSINESS CENTRES

	Y'day midday	°C	°F		Y'day midday	°C	°F
Amstrdm.	S	0	32	Luxmbrg.	S	−2	29
Athens	C	8	46	Madrid	C	5	41
Bahrain	S	26	79	Manchstr.	F	3	37
Barcelona	F	14	57	Melbourne	C	14	57
Beirut	F	20	68	Milan	S	5	41
Belfast	C	6	43	Montreal	C	4	39
Belgrade	F	−5	21	Moscow	C	−9	16
Berlin	C	−1	30	Munich	S	−6	21
Brmghm.	S	2	36	Newcastle	F	4	39
Bristol	F	2	36	New York	S	11	52
Brussels	S	0	32	Oslo	S	−10	14
Budapest	F	−3	27	Paris	C	−2	28
B. Aires	S	29	84	Perth	S	30	86
Cairo	S	20	68	Prague	F	−7	19
Cardiff	C	4	39	Reykjavik	C	7	45
Chicago	C	2	36	Rio de J'o	S	34	93
Cologne	S	0	32	Rome	F	10	50
Copnhagn.	F	−2	28	Singapore	C	29	93
Dublin	C	8	46	Stockholm	C	−9	16
Edinburgh	C	4	39	Strasbg.	S	−3	27
Frankfurt	S	−1	30	Sydney	S	24	75
Geneva	C	0	32	Tehran	C	8	46
Glasgow	C	5	41	Tel Aviv	S	23	73
Helsinki	C	−4	25	Tokyo	C	7	44
H. Kong	S	21	70	Toronto	C	2	36
Jo'burg	S	26	79	Vienna	S	−5	23
Lisbon	[illegible]	16	61	Warsaw	F	−6	21
London	S	4	39	Zurich	C	−5	23

HOLIDAY RESORTS

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	F	14	57	Jersey	S	4	39
Algiers	F	15	59	Las Plms.	S	22	72
Biarritz	F	17	63	Locarno	S	2	36
Blackpool	F	4	39	Majorca	F	15	59
Bordeaux	S	9	48	Malaga	C	14	57
Boulogne	S	0	32	Malta	F	15	59
Casblnca.	C	21	70	Nairobi	R	20	68
Cape Tn.	S	24	75	Naples	S	10	50
Corfu	C	15	59	Nice	S	12	54
Dubrovnik	S	9	48	Nicosia	C	19	66
Florence	S	6	43	Oporto	F	15	59
Funchal	F	19	66	Rhodes	R	17	63
Gibraltar	C	15	59	Salzburg	S	−4	25
Guernsey	F	5	41	Tangier	C	19	66
Innsbruck	S	−4	25	Tenerife	F	19	66
Inverness	C	7	45	Tunis	C	11	52
I. of Man	C	6	43	Valencia	C	13	55
Istanbul	R	1	34	Venice	S	2	36

S—Sunny. F—Fair. C—Cloudy. R—Rain.

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